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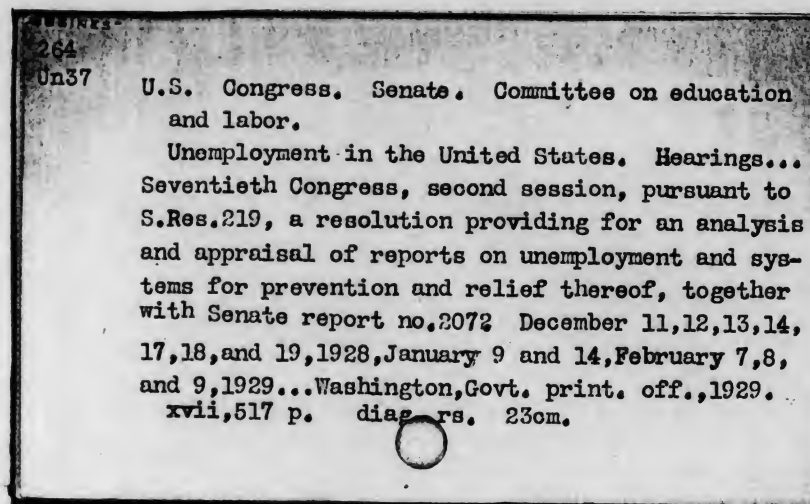
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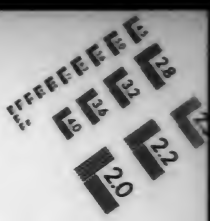
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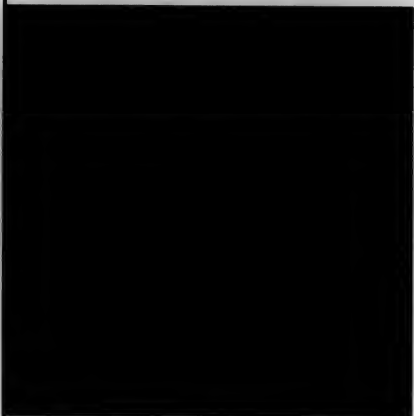
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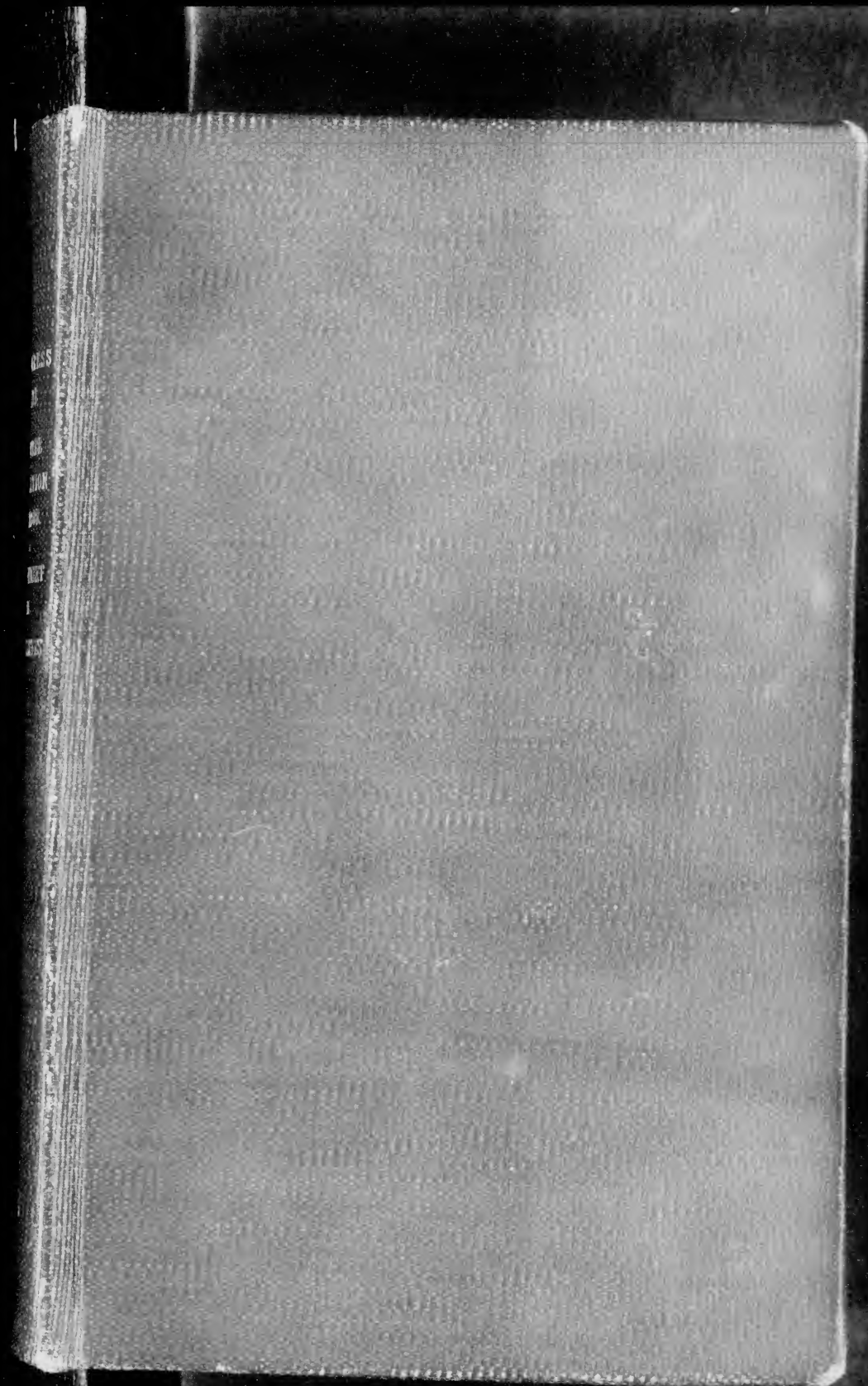
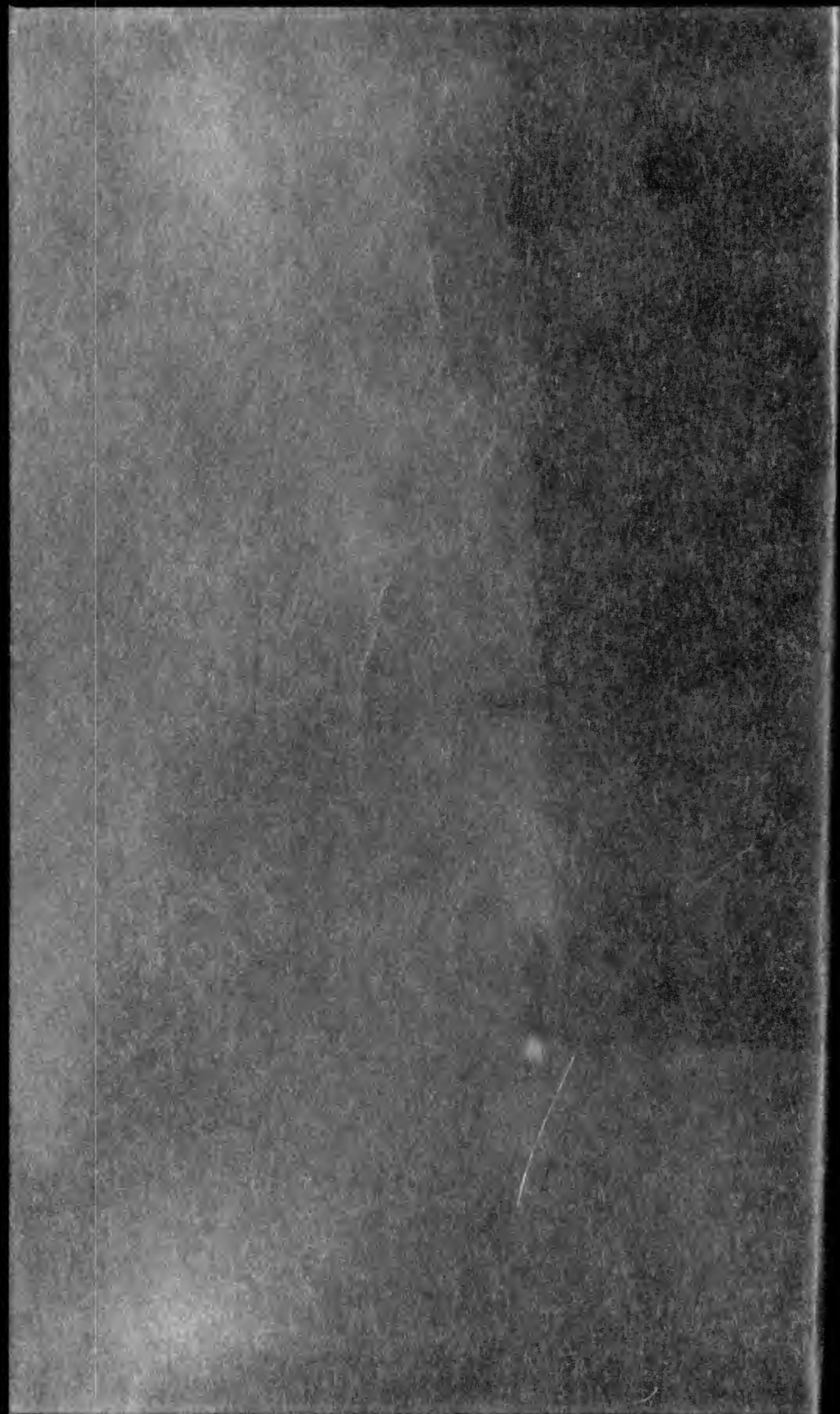
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# Unemployment in the United States

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## HEARINGS

BEFORE THE

## COMMITTEE ON EDUCATION AND LABOR UNITED STATES SENATE

SEVENTIETH CONGRESS

SECOND SESSION

PURSUANT TO

### S. Res. 219

A RESOLUTION PROVIDING FOR AN ANALYSIS AND  
APPRAISAL OF REPORTS ON UNEMPLOYMENT  
AND SYSTEMS FOR PREVENTION AND  
RELIEF THEREOF :

TOGETHER WITH  
SENATE REPORT NO. 2372,

DECEMBER 11, 12, 13, 14, 17, 18, AND 19, 1928, JANUARY 9 AND 14,  
FEBRUARY 7, 8, AND 9, 1929

Printed for the use of the Committee on Education and Labor



UNITED STATES  
GOVERNMENT PRINTING OFFICE  
WASHINGTON: 1929

# Unemployment in the United States

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TOGETHER WITH  
SENATE REPORT NO. 2972

DECEMBER 11, 12, 13, 14, 17, 18, AND 19, 1928, JANUARY 9 AND 14,  
FEBRUARY 7, 8, AND 9, 1929

Printed for the use of the Committee on Education and Labor



UNITED STATES  
GOVERNMENT PRINTING OFFICE  
WASHINGTON: 1929

## CAUSES OF UNEMPLOYMENT

FEBRUARY 25 (calendar day, MARCH 1), 1929.—Ordered to be printed

Mr. COUZENS, from the Committee on Education and Labor, submitted the following

### REPORT

[Pursuant to S. Res. 219]

Under date of May 3, 1928, the Senate adopted Senate Resolution 219 of the Seventieth Congress, first session. The resolution was as follows:

Whereas many investigations of unemployment have been made during recent years by public and private agencies; and

Whereas many systems for the prevention and relief of unemployment have been established in foreign countries, and a few in this country; and

Whereas information regarding the results of these systems of unemployment, prevention, and relief is now available; and

Whereas it is desirable that these investigations and systems be analyzed and appraised and made available to the Congress: Therefore be it

*Resolved*, That the Committee on Education and Labor of the Senate, or a duly authorized subcommittee thereof, is authorized and directed to make an investigation concerning the causes of unemployment and the relation to its relief of (a) the continuous collection and interpretation of adequate statistics of employment and unemployment; (b) the organization and extension of systems of public employment agencies, Federal and State; (c) the establishment of systems of unemployment insurance or other unemployment reserve funds, Federal and State, or private; (d) curtailed production, consolidation, and economic reconstruction; (e) the planning of public works with regard to stabilization of employment; and (f) the feasibility of cooperation between Federal, State, and private agencies with reference to (a), (b), (c), and (e). For the purposes of this resolution such committee or subcommittee is authorized to hold hearings and to sit and act at such times and places; to employ such experts and clerical, stenographic, and other assistants; to require, by subpoena or otherwise, the attendance of such witnesses and the production of such books, papers, and documents; to administer such oaths and to take such testimony and make such expenditures as it deems advisable. The cost of stenographic services to report such hearings shall not be in excess of 25 cents per hundred words. The expenses of such committee, which shall not be in excess of \$15,000, shall be paid from the contingent fund of the Senate upon vouchers approved by the chairman. The committee or subcommittee shall make a final report to the Senate as to its findings, together with such recommendations for legislation as it deems advisable, on or before February 15, 1929.

III

### COMMITTEE ON EDUCATION AND LABOR

JAMES COUZENS, Michigan, *Chairman*

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MORRIS SHEPPARD, Texas.

JOHN CARSON, *Clerk*

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Shortly after the Senate had adopted the resolution your committee met to consider plans for making the survey. The assistance of the Institute of Economics of the Brookings Institution of Washington, a nonpartisan, private organization, was sought, and the institute assigned Dr. Isador Lubin, of its staff of economists, to assist in directing the work. The work of the institute has been voluntary, and, as a result, the expense of the survey to the Government has been slight.

The committee and the Senate owe the Institute of Economics a debt of gratitude, and the committee herewith expresses it and also compliments the institute upon the work it has done.

The report of Doctor Lubin, which summarizes the evidence submitted to the committee and comments upon it, is printed at the conclusion of the printed hearings. Anyone who has followed this work or is interested in this subject should read this report.

The committee is likewise indebted to the Industrial Relations Counsellors of New York, another endowed organization which has been interested in the subject of unemployment. This organization contributed to the committee three volumes of a report it has made on the subject of unemployment-insurance plans. Although this report touches on some subjects which had also been reviewed by your committee, we feel that the whole is of such value that it should be printed as a part of the evidence of your committee and this has been done.

Likewise, the committee is indebted to any number of business men who gave, unstintingly and willingly, of their time and services.

Your committee was interested, primarily, in the worker who desires to work, who is seeking an opportunity for gainful employment, and who is unable to find it. There are others who might be listed as "among the unemployed" but those who are not employed because they do not choose to be employed, hardly constitute a problem for this committee.

The evidence taken shows the causes or the types of unemployment might be divided into three classes, cyclical, seasonal, and technological.

Little necessity exists for describing these three classifications. Cyclical unemployment has been like the plague; it has come and gone at regular intervals until it has been accepted as a necessary evil by some who should know otherwise. We do not believe, any more, that it is necessary for the baby to have the diphtheria and rickets and other "diseases of childhood." We have found and are finding methods of preventing these diseases. We should recognize also that there is an obligation on all society to attack, unceasingly, the problem of unemployment.

Cyclical unemployment can be best attacked through the control of credit, according to the experts who testified before your committee. It was the expressed view of these students that the Federal reserve system has done and is doing a great deal toward this end.

We all know the story of progression and retrogression in industry as told in the history of all cyclical unemployment. Although there may be different causes and although no student seems to be able to lay down a dogma as to causes which is universally accepted, the results are much the same. We have the first evidence of increased business, development of "better times" psychology, increased orders

and increased production, plant extensions, increased stocks on shelves, extensions of credit and then the swing downward, a swing which is merely accelerated.

And for labor, we have the inculcation of the practices of inefficiency which are definite marks of every period of overdevelopment and overexpansion and then—unemployment.

As Dr. John R. Commons put it in his testimony before your committee, "We first demoralize labor and then we pauperize it."

We desire to call the reader's attention to the statement of Doctor Lubin in the report of the Institute of Economics, which reviews the incidents of cyclical unemployment at greater length and with more pointed facts.

Seasonal unemployment is of more immediate interest because here we have a daily problem, year in and year out, which confronts the industrial leader and society in general. If the business men of the country will solve this problem to the extent it is possible of solution, will eliminate this waste, the saving to industry will be two billions of dollars a year, according to the testimony of Mr. Sam O. Lewisohn, a leader in many industries, who appeared before your committee. Seasonal unemployment can be attacked in many ways. It is being successfully attacked in many industries as the evidence will show. Discussion of these methods of attack will be found in other sections of this report.

Technological unemployment covers that vast field where, through one device or another, and chiefly through a machine supplanting a human, skilled workers have found that their trades no longer exist and that their skill is no longer needed. What becomes of these men? What can be done about these thousands of individual tragedies? What do these individual tragedies mean to society as a whole?

It is an imponderable thing. Some of the experienced witnesses who appeared before your committee stated that new industries absorb the labor turned adrift by machine development. The automobile, the airplane, the radio, and related industries were suggested as examples. Undoubtedly there is much truth in these statements, but nevertheless we are not relieved of the individual problem. It offers little to the skilled musician to say that he, who has devoted his life to his art, may find a job in a factory where radio equipment is manufactured. Then there is the delay, that inevitable period of idleness when readjustments are being effected, the suffering, the loss, the enforced change in environment. True, this may all be "the price of progress" but society has an obligation to try, at least, to see that all this "price" does not become the burden of the worker.

This subject also will be discussed more fully under other chapters of this report.

There is one other field of unemployment, the field wherein we find the crippled, the superannuated, the infirm. This field constitutes a problem for industry and for society. It is a growing field, we believe. The man of mature years is not so successful when competing with a machine as is a younger man. The problem of these men will also be touched upon in other chapters of this report.

Your committee is required by Senate Resolution 219 to make a report on the causes of unemployment. So many inquiries have been made on this subject, so many conferences have been held, so many reports made, so many volumes written, that it would seem impossible to contribute anything additional of great value.

However, your committee feels that it has accomplished something. We have striven to obtain an understanding of some of the conditions which cause unemployment, of the machinery now had to detect when and where unemployment exists, and of the existing facilities for the treatment and the relief of the condition, once it is known to exist.

It is probable the survey could have been more comprehensive and that the report of your committee might be more dogmatic, but we emphasize that this is a so-called short session of Congress, and that it is most difficult to accomplish a great work like this at a short session. Senators are beset with two or more conflicting committee meetings and they must choose between them. Because of this condition, it was impossible to obtain the constant attendance of all members of the committee at all meetings.

Notwithstanding, your committee feels that it has contributed toward an aroused interest in the subject, that another effort has been made to interest leaders in industry in the problem of stabilizing employment, that the evidence collected and printed in the hearings will provide an opportunity for a better understanding of the whole situation, and that as a result of this survey another advance has been made in the effort to solve the difficult problem of unemployment.

Regardless of what may be said in derogation of conferences and investigations, this survey shows conclusively that the unemployment conference, which was convened in 1921 under the leadership of Herbert Hoover, did accomplish something. That conference aroused the interest of some employers in the subject of stabilization. They returned to their plants and began an effort to stabilize employment in their industries. They attained some success and then more, and as they succeeded and realized what they had gained, they became missionaries in the field. Now, they have appeared before your committee and their testimony speaks for itself.

Before proceeding with a detailed discussion of the evidence, your committee wishes to voice the opinion that the unemployment problem can only be solved through constant struggle on the part of all members of society. When your committee uses the word "solved," it merely means that an opportunity will have been given to everyone who really desires work. No one will question that every man is entitled to the opportunity to provide for himself and his family. That is a fundamental right and society can not consider itself successfully organized until every man is assured of the opportunity to preserve himself and his family from suffering and want.

If we consider the question from the viewpoint of duty alone, every member of society has an obligation to assist in solving it. The employer, undoubtedly, has the greatest duty and the greatest responsibility. He is using labor to make a profit for himself and if he is going to take the advantages of this system of society, he must assume the obligations likewise. The laborer, or worker, or employee has a duty to assist also because there is nothing more certain than that, as every step forward is made in the solution of this problem, the individual laborer or worker will gain tremendously.

It is an interesting thing in this connection that the man who must labor inevitably thinks most of steady employment, as the evidence presented by the Industrial Relations Counsellors shows. The fear of being "out of a job" is one of the most demoralizing factors in all the relations of man to his job and employee to his employer.

And it may as well be remembered that society is going to solve this problem, is going to provide an opportunity for man to sustain himself, or is going to sustain man. Society is going to provide an opportunity for man to pay his own way or is going to pay for him. Society may as well make every effort to do the job constructively, because no society can be strong in which its members are encouraged or forced to adopt the position and the place of those seeking charity, and secondly, because when society pays the bill through charity or through the cost of crime, the payments offer little possibility of any advance for mankind.

Mr. Daniel Willard, president of the Baltimore & Ohio Railroad Co., put the whole story rather pithily. In the first place, he described the old days of intensive individualism where goods were produced, largely, in individual shops and by hand labor. Now we have the tremendous factories, the mass production, and the wealth pouring from machines and moving on for the benefit of society. If society is going to take this benefit, then society must also accept the burdens, Mr. Willard suggested. A man out of work, discontented, and suffering, constituted a danger for society, he added. As he put it, a man is going to steal before he starves, and the word "steal" may cover a multitude of other crimes—crimes perhaps of the man who steals but crimes of far greater magnitude for that society which permits a condition which induces or invites men to steal.

Your committee will now proceed with the detailed demands of the resolution and will discuss the subjects in the order in which they are presented in the resolution.

(A) THE RELATION HAD BY THE CONTINUOUS COLLECTION AND INTERPRETATION OF ADEQUATE STATISTICS OF EMPLOYMENT AND UNEMPLOYMENT TO THE RELIEF OF UNEMPLOYMENT

The testimony of Commissioner Ethelbert Stewart, of the Bureau of Labor Statistics of the Department of Labor; the testimony of Dr. John R. Commons; of Mr. Bryce M. Stewart; of Mr. Morris E. Leeds, and of a number of other witnesses, shows the necessity of having adequate statistics of employment and unemployment. To know there is a problem, that there is unemployment, and how severe it is, is necessary before a successful attack on it can be made. That seems so obvious it is hardly worth stating.

We have absolutely no figures as to the number of persons unemployed at any definite time. Commissioner Stewart explains that situation in his testimony. He has made estimates on the "shrinkage" of employment. The unemployment conference of 1921, after deploring the fact that there were absolutely no data obtainable on the subject made its "best guess." Just last year, one dispute after another arose in Congress over the number of men out of work. True, the discussion was open to the charge of being largely political, but political or otherwise, it should have served to have driven home the point that here was a government without any machinery for knowing whether it was afflicted with a disease to which might be added the cancer that destroys government.

If we do not have accurate information on this subject, we may rest assured we are going to have plenty of inaccurate information.

The subject is one which is very articulate in itself. Our experience should be convincing that all this is so. And in this connection it might be well to reflect on the truth that facts will permit sound thinking and that an absence of facts produces a condition of fear and panic which may be far more costly to the country than would be the cost of maintaining a system of obtaining these statistics.

As to the method of gathering information, and as to what should be gathered, there is cause for question and study. Statistics, to be of any immediate value, must be gathered quickly, must give a true picture and must permit of proper and correct appraisal. Inaccurate statistics are of no value, and statistics which are months and years old are of about the same value as is the result of a post mortem to a physician and no more so. They may have value in dealing with the problem as a whole, but have no use in relieving immediate necessity.

Commissioner Stewart proposes to develop statistics as to unemployment by measuring the shrinkage and the increase of employment and unemployment in a considerable number of industries and by applying to the norm the factors thus obtained. This should permit a fairly accurate measurement of conditions to be obtained with sufficient rapidity to meet any demand. But the norm must be first established and Commissioner Stewart proposes to have it established by an accurate census.

The Bureau of the Census should obtain the information that Commissioner Stewart desires and should obtain it at the next census in 1930. The Bureau of the Census may say its other duties would be delayed in this effort, but this work of building an efficient system of measuring unemployment is far more important, in the opinion of your committee, than a great deal of other information obtained through the census.

As to supplementary statistics, these might and perhaps should be obtained in any number of ways. However, it is the testimony of witnesses before your committee that until we get a system of unemployment exchanges established in the various cities and States, it is doubtful that we shall get a report more valuable than that proposed to be obtained by Commissioner Stewart.

(B) THE ORGANIZATION AND EXTENSION OF SYSTEMS OF PUBLIC EMPLOYMENT AGENCIES, FEDERAL AND STATE

The Government now appropriates \$200,000 for the work of the United States Employment Service. The director of that service, Mr. Francis I. Jones, appeared before your committee, and his testimony will be found in the hearings.

Your committee also directs attention to the testimony of Mr. Bruce M. Stewart, to that of Dr. John R. Commons, and to the report of Doctor Lubin, of the Institute of Economics.

As is shown by Doctor Lubin, the Employment Service is a result of war experiences. When the country was mobilized for war purposes and the necessity existed to find a man for every place more than a place for every man, a war unemployment machine was developed. And, being regarded as an instrument of war, the machinery was scrapped in time of peace. Funds were not appropriated, offices were abandoned, personnel dismissed, and of even more im-

portance, the employers in private life who had maintained an active interest in the unemployment exchanges permitted that interest to wane.

The result is we have an unemployment service which functions as a Federal organization only in the matter of placing farm labor and which endeavors to function through grants of money, out of the Federal appropriation, to assist in the maintenance of State or city employment exchanges. The situation is one not conducive to building interest in the organization as it now exists.

As is shown by Doctor Lubin in his report, recommendations for the establishment of public employment exchanges have been made for two decades whenever a program for relieving conditions of unemployment was given consideration. As far back as 1916 recommendations were made that the country must first organize a national system of labor exchanges in order to deal with the unemployment problem, as Doctor Lubin shows. In 1921 the President's conference on unemployment recommended the formation of a national system of employment exchanges and later this recommendation was endorsed by the committee which prepared for Mr. Hoover a special report on business cycles and unemployment. The conclusion of the committee was that "the greatest promise seems to be in the development and raising to a high standard of efficiency of a national system of employment bureaus."

The "pinch" of unemployment is rarely appreciated until it becomes personal. Epidemics of disease may afflict one section of the country and arouse tremendous interest and even concern in the other sections, but until unemployment becomes local and personal it seems to arouse little fear. The man at work appears to have little realization of how he is affected by the fact that his fellow man is out of a job. The organization to handle the disease in this form should be local also, it seems to your committee. It should be one which would be responsible to local conditions and one which is responsible also to local officials, to local employers, and to local employees.

Doctor Commons advised your committee that the States and cities should establish and operate the unemployment exchanges and that the Federal Government should merely establish an organization of experts to coordinate the work of the local exchanges and "to bring up the standard" of those offices. Your committee is in accord with the idea that the Federal Government should remain as far away from the operation of those local offices as is possible. The employment exchanges should be local, we repeat.

To be successful, in fact to be of any great value, public employment agencies or exchanges must have the confidence of those for whom the exchanges are established, in other words for the employer and the employee immediately interested. This confidence can only be established through efficient operation of such offices. The personnel must have the ability to invite and induce and then to assemble information as to the needs of the employer and, having done this, must perform the next function of making the contact between the employer and the man who wants a job. If the office is efficiently operated and deserving of the confidence needed for success, the endeavor will not only be to find a job for the man and a man for the job, but will be to find the right man for the right job, to effect a placement where both the employer and the employee will be pleased and likely to remain so.

As Doctor Commons said in his testimony, "the best employment agencies in the United States are not the public employment agencies but they are the employers themselves." He added that he "did not believe that we can have public employment offices in this country until the employers are willing to support those offices."

In other words, the employers who have the most intimate touch with the opportunities for labor, must have sufficient confidence and interest in the employment exchanges to make use of them. The labor or unemployment exchange must become to the employer for labor purposes just what his bank is for purposes of obtaining capital.

Discussing the organization of employment exchanges, Doctor Commons offers the example of the Milwaukee office, which is conducted and maintained by the local governments, State and city. There, he testified, we had for years the experience connected with an employment exchange which existed for itself and for jobs for the personnel. Then the personnel was placed under civil service rules, candidates for positions were graded in accordance with educational qualifications and experience and then an advisory committee, representing organized employers and organized labor, selected the best candidate for director of the office. This man was appointed. To the criticism that the unorganized worker is not represented in this plan, Doctor Commons replies that the organized employer always takes care of the unorganized worker and adds that "the plan has worked."

Aside from the Wisconsin offices, there are efficient exchanges in some other States, although the number is so small that it does not even offer the skeleton of a national system. Thirteen States, as Doctor Lubin shows, have no employment offices whatsoever. In 11 States there is only one office and in other States the number of offices vary up to the point where 17 offices are found in the State of Illinois. The amounts appropriated by the States also vary tremendously. In Wyoming, for example, \$900 is granted for the work, and from that point the State expenditures for this purpose increase to the point where \$231,360 is spent in Illinois. The total appropriations of all the State governments aggregate only \$1,203,906.

Aside from these general services on the part of the Government of the United States and upon the part of State governments, the United States Employment Service conducts a farm-labor division which has temporary offices at important points in the agricultural States. Critics who have studied the work of the service concede that this is an important task and that it is well done.

In view of this very limited service throughout the country, in view of the few offices conducted and the apparent lack of interest, is there any cause for amazement in the fact that private employment exchanges thrive in many cities, and thrive despite the manner in which some of the private exchanges are conducted—to not always cast credit on the business?

The burden of assisting the unemployed to find work should be borne by organized society through the maintenance of efficient public employment exchanges. Efficient public employment exchanges should replace private exchanges. Private employment exchanges which merely attempt to make contact between a worker and a job, which are operated for profit and solely for profit, present a situation where there are conditions conducive to petty graft. Such

practice at the expense of the unemployed is a crime which should not be tolerated.

Your committee might summarize its views on this subject in this manner:

1. The existing United States Employment Service should be reorganized.

2. The director and every employee of the service should be selected and appointed after a rigid civil-service examination.

3. The administrative features of the civil-service examination should permit the cooperation of organized industry and organized labor in weeding out the candidates for these places, at least the place of the executives.

4. The service should become an organization of experts whose duties would be to coordinate the work of the States.

5. Aside from compiling statistics and endeavoring to arrange a plan which would permit the Government to be advised promptly and accurately of conditions throughout the various State exchanges, the Federal service should not be active. In other words, the Government should remain as completely detached from the operation of exchanges throughout the States as it is possible for it to be.

There has been some question of the plan now in vogue whereby the Government contributes financial assistance to the State offices. Witnesses before your committee insisted unemployment anywhere in the country was of national concern and therefore should be treated to some extent with the aid of the Government. But it is certain that some definite system or plan should be devised under which the Government should grant this money to the States if the Government assistance is to continue. The Government expert should make certain that the Government was not contributing to inefficiency in the service.

(C) THE ESTABLISHMENT OF SYSTEMS OF UNEMPLOYMENT INSURANCE OR OTHER UNEMPLOYMENT RESERVE FUNDS, FEDERAL, STATE, OR PRIVATE

In connection with this subject your committee recommends the reading of the testimony of Dr. John R. Commons, of the Institute of Economics, and the Industrial Relations Counsellors, as well as the testimony of the business men who discussed conditions in their own industries.

We think it is generally agreed by the witnesses that at the present time the following conclusions would be drawn from the evidence:

1. Government interference in the establishment and direction of unemployment insurance is not necessary and not advisable at this time.

2. Neither the time nor the condition has arrived in this country where the systems of unemployment insurance now in vogue under foreign governments should be adopted by this Government.

3. Private employers should adopt a system of unemployment insurance and should be permitted and encouraged to adopt the system which is best suited to the particular industry.

Until an opportunity or some cause such as this survey is had to focus attention on the industrial developments in this country, little consideration is given to the accomplishments such as we find in the field of stabilizing employment.

Undoubtedly there are not sufficient industrial leaders who are interested as yet, but there is cause to believe they will be, and simply because of economic pressure. It seems reasonable to assert, from the testimony taken during this survey, that the employer who does not stabilize his employment and thus retain his experienced workmen is the employer who is going to fail.

Just as the efficient business man is stabilizing the return for capital invested, by building up reserves for dividends, so shall he establish a reserve for return to labor in the hours of adversity, according to the well-founded arguments advanced by business men. And why? The testimony from witness after witness stresses the point that there is no suggestion of charity in this effort, no idea of being philanthropic, no desire to have industry to become paternalistic. True, in most cases the plans were started because an industrial leader became conscious of some of his obligations to society. But there is general accord on the proposition that the plan is "good business," that it has increased profits.

One witness asked, "Shall the business man who expands his business without consideration for future requirements escape his responsibility?"

Mr. Morris E. Leeds, of Leeds & Northrup, described his theory as follows:

I was convinced a good many years ago of the element of unfairness and social wrong that modern industry had gotten into by freely hiring people and with equal freedom, firing them.

Mr. Daniel Willard said:

It seems to me that those who manage our large industries, whatever the character of their output may be, whether it be shoes, steel, or transportation, should recognize the importance and even the necessity of planning their work so as to furnish as steady employment as possible to those in their service. Not only should that course, in my opinion, be followed because it is an obligation connected with our economic system, but I fully believe that such a course is justifiable from the standpoint of the employer because it would tend to develop a satisfied and contented body of workmen which of itself would improve efficiency and reduce costs.

The testimony speaks for itself and everyone interested should read it. At this time there is nothing that can be recommended on this score in the way of legislation. However, your committee can express the hope that organizations of capital and of labor and that officials of the Federal and State Governments shall never lose an opportunity to inspire thought and discussion on this question of the necessity and the advisability of stabilizing employment within the industries themselves.

Stabilization has been sought and obtained in various ways. One employer has placed practically all his workers on a salary basis, has assured them of a continuous wage throughout the year, and has placed upon them the responsibility of making the industry succeed. Others have established reserve funds and have so arranged them that executives and workers strive to prevent them from being drained. Others have so ordered their production that it is spread throughout the year. Others have begun the production of articles which are related to the general business plan but which can be produced in periods which formerly were marked by idleness.

The testimony is fairly convincing that stabilization can be accomplished in industries which were once regarded as being seasonal in their every aspect.

Fifteen bills dealing with unemployment insurance have been introduced in six State legislative bodies since 1915, and none of them has been successful. Probably the so-called Huber bill, introduced in the Wisconsin Legislature, came nearest to adoption, and its author, Doctor Commons, advised your committee that it "was as dead as anything could be."

In many industries, as the evidence will show, a reserve fund for unemployment which offers protection in the form of insurance has been adopted. The testimony of Doctor Commons as to the practice in the Chicago clothing industries is important as well as the reports of the Industrial Relations Counselors.

Whatever legislation is considered on this subject, your committee is convinced, should be considered by the States. The States can deal with this subject much better than can the Federal Government. But in any discussion of legislation, your committee thinks consideration should be given to the arguments of Doctor Commons—that the plan of reserve funds or insurance confined to one company or plant rather than to all industries, should be adopted.

Doctor Commons stresses the fact that the insurance idea as practiced in the Chicago market follows the experiences gained from the adoption of disability compensation plans in various States. Employers were moved to adopt every precaution against accidents when they realized that accidents were costly under the plans for disability compensation. In the same way, employers and employees will be more likely to fight the causes of unemployment within their industries when they have seen tangible evidence of the cost of unemployment, according to the arguments advanced in this evidence. On the other hand, Doctor Commons insists that, "the paternalistic and socialistic" schemes adopted in foreign countries, penalize success in that the employer who stabilizes his employment does not escape the burden of paying for unemployment in other industries.

Your committee can not leave this subject without suggesting that consideration be given to the benefits of stabilized production—the finer morale of the workers, the better workmanship, the increased production, the lowered costs of production, and the elimination of the cost of training the unskilled recruits. The testimony proves conclusively that the workers who cooperate with their employers and who are given a chance and encouraged, contribute tremendously to the success of the enterprise.

#### (D) CURTAILED PRODUCTION, CONSOLIDATION, AND ECONOMIC RECONSTRUCTION

This subject covers so vast a field that it also immediately becomes imponderable. To exhaust it seems impossible. A committee of Congress could proceed with a study on this one phase of the unemployment problem and could continue indefinitely.

The general opinion given your committee on this score is that undoubtedly just at this time we are experiencing a program and a problem which are no different to those occurring since the advent of machines in industry. The difference is, however, that undoubtedly

at this time the developments are far more extensive and far more intensive than they have ever been in our history.

Of course there is going to be individual suffering, for example, the suffering of the musician who discovers that a machine is forcing him to forego his life work and to seek employment in new fields. How to answer the many questions which arise with every minute of consideration for this topic, is what makes the subject imponderable. The printed evidence contains suggestions of the shortened working day and the reduced working week, has contentions that new industries are arising constantly out of the graves of departed trades and the workers are thus absorbed. Your committee is convinced, however, that it is the duty of society to provide for these workers during the period of readjustment, as many employers are now doing.

Conflicting opinions are offered as to the effect of the vast consolidations of wealth. One side contends that the day of the small business man is passing, that the individual merchant can no longer compete with the national chain, while another will contend that no nationally organized chain can overcome the personal effort put into a business by the individual business man.

However, in the time your committee had for this subject no opportunity presented itself for the consideration of legislation on this subject, and your committee has nothing to suggest at this time.

#### (E) THE PLANNING OF PUBLIC WORKS WITH REGARD TO STABILIZATION

Another committee of Congress, the Committee on Commerce, has considered this subject and has reported legislation which is now before the Senate. The legislation is commonly referred to as the "Jones prosperity reserve bill." Your committee would suggest that the evidence submitted with reference to that bill should be read in connection with this study.

There is some testimony of interest on this subject in these hearings, but your committee did not devote a great deal of time to this topic, because no one disagreed with the suggestion that the Government and all other public agencies should so order their public works that they would offer a buffer in time of unemployment.

The evidence is very clear that the Federal Government may set a valuable example to the States in the adoption of a practical scheme for the planning of public works. Of course, the States and the other divisions of Government will have the greatest opportunity to provide this buffer because the expenditures by the Federal Government for public works are not large as compared with the expenditures by the States and other civil divisions. There should be no delay upon the part of the various Governments, Federal, State, city, and other minor subdivisions in the adoption of such plans.

There are minor objections to this scheme but your committee is convinced they can be overcome without difficulty.

#### (F) THE FEASIBILITY OF COOPERATION OF FEDERAL, STATE, AND PRIVATE AGENCIES WITH RESPECT TO ALL THESE SUBJECTS RELATED TO THE UNEMPLOYMENT PROBLEM

Your committee has discussed this phase of the survey as it has proceeded with this report and there is little to add. In general,

it is the opinion of your committee that the responsibility should be kept as "close to home" as is possible. Private agencies should make the first effort and should do everything they can for themselves. The States should contribute only that service that private agencies would find impossible and the Government should merely coordinate the work of the States and supply any effort which is entirely and purely of national character.

Your committee will now endeavor to sum up the suggestions and recommendations:

1. Private industry should recognize the responsibility it has to stabilize employment within the industry. The Government should encourage this effort in every way, through sponsoring national conferences, through publishing information concerning the experience had by industries in this work, and through watching every opportunity to keep the thought of stability uppermost in the minds of employers.

2. Insurance plans against unemployment should be confined to the industry itself as much as possible. There is no necessity and no place for Federal interference in such efforts at this time. If any public insurance scheme is considered, it should be left to the State legislatures to study that problem.

3. The States and municipalities should be responsible for building efficient unemployment exchanges. The Government should be responsible for coordinating the work of the States so as to give a national understanding of any condition which may rise and so as to be able to assist in any national functioning of the unemployment exchanges.

4. The existing United States Employment Service should be reorganized, and every employee should be placed under civil service.

5. Efforts should be made to provide an efficient system for obtaining statistics of unemployment. The first step should be taken by the Bureau of the Census in 1930, when the bureau should ascertain how many were unemployed as of a certain date and how many were not seeking employment and yet were unemployed as of that date.

6. The Government should adopt legislation without delay which would provide a system of planning public works so that they would form a reserve against unemployment in times of depression. States and municipalities and other public agencies should do likewise.

7. Further consideration might well be given to two questions, the effect had on unemployment by industrial developments such as consolidation of capital, and the necessity and advisability of providing either through private industry, through the States, or through the Federal Government, a system of old-age pensions.

## CONTENTS

REGULARIZATION OF EMPLOYMENT	
	Page
Henry S. Dennison.....	2
Sam A. Lewisohn.....	19
Ernest G. Draper.....	27
William Powers Hapgood.....	35
William Green.....	53
A. C. Bennett.....	69
Daniel Willard.....	77
O. S. Jackson.....	94
James T. Loree.....	101
J. M. Larkin.....	118
Fred M. Sargent.....	129
W. J. Burns.....	131
Jackson Johnson.....	133
William Cooper Procter.....	133
H. F. Johnson, jr.....	134
Donaldson Brown.....	136
Alexander Bing.....	146
M. A. Styles.....	147
EMPLOYMENT EXCHANGES	
Bryce M. Stewart.....	149
Whiting Williams.....	167
Memorandum on employment exchange legislation in foreign countries.....	168
Memorandum on the organization and administration of public employment offices in foreign countries.....	169
UNEMPLOYMENT STATISTICS	
Ethelbert Stewart.....	179
Francis I. Jones.....	188
W. A. Berridge.....	190
PUBLIC WORKS	
Gardner S. Williams.....	193
Otto T. Mallery.....	198
UNEMPLOYMENT INSURANCE	
Morris E. Leeds.....	205
John R. Commons.....	212
Hart, Shaffner & Marx unemployment insurance agreement.....	245
Benjamin M. Squires.....	256
Huber unemployment insurance bill.....	257
Huber bill revised.....	270
Industrial Relations Counsellors (Inc.).....	278
Metropolitan Life Insurance Co.....	456
Mary B. Gilson.....	468
Mollie Ray Carroll.....	476
SUMMARY OF TESTIMONY AND REPORT OF INSTITUTE OF ECONOMICS OF THE BROOKINGS INSTITUTION	
Isador Lubin.....	491

## UNEMPLOYMENT IN THE UNITED STATES

TUESDAY, DECEMBER 11, 1928

COMMITTEE ON EDUCATION AND LABOR,  
UNITED STATES SENATE,  
Washington, D. C.

The committee met, pursuant to call, at 10.30 o'clock a. m., in the committee room, Senate Office Building, Senator James Couzens presiding.

Present: Senators Couzens (chairman), Phipps, Tyson, Walsh, and Sheppard.

Present also: Dr. Isador Lubin, economist of the Institute of Economics of the Brookings Institution, Washington, D. C., assisting the committee.

The CHAIRMAN. This meeting was called for the purpose of carrying out the Senate's instructions under Senate Resolution 219, and for the purpose of having it clear as to what we are here for I will read the resolution:

[S. Res. 219, Seventieth Congress, first session]

### RESOLUTION

Whereas many investigations of unemployment have been made during recent years by public and private agencies; and

Whereas many systems for the prevention and relief of unemployment have been established in foreign countries, and a few in this country; and

Whereas information regarding the results of these systems of unemployment, prevention, and relief is now available; and

Whereas it is desirable that these investigations and systems be analyzed and appraised and made available to the Congress: Therefore be it

*Resolved*, That the Committee on Education and Labor of the Senate, or a duly authorized subcommittee thereof, is authorized and directed to make an investigation concerning the causes of unemployment and the relation to its relief of (a) the continuous collection and interpretation of adequate statistics of employment and unemployment; (b) the organization and extension of systems of public employment agencies, Federal and State; (c) the establishment of systems of unemployment insurance or other unemployment reserve funds, Federal, State, or private; (d) curtailed production, consolidation, and economic reconstruction; (e) the planning of public works with regard to stabilization of employment; and (f) the feasibility of cooperation between Federal, State, and private agencies with reference to (a), (b), (c), and (e). For the purposes of this resolution such committee or subcommittee is authorized to hold hearings and to sit and act at such times and places; to employ such experts and clerical, stenographic, and other assistants; to require, by subpoena or otherwise, the attendance of such witnesses and the production of such books, papers, and documents; to administer such oaths and to take such testimony and make such expenditures as it deems advisable. The cost of stenographic services to report such hearings shall not be in excess of 25 cents per hundred words. The expenses of such committee, which shall not be

in excess of \$15,000, shall be paid from the contingent fund of the Senate upon vouchers approved by the chairman. The committee or subcommittee shall make a final report to the Senate as to its findings, together with such recommendations for legislation as it deems advisable, on or before February 15, 1929.

The CHAIRMAN. First I want to say for the benefit of the committee that during the recess of Congress the Institute of Economics, at Washington, through its staff, have been very helpful in cooperating with the secretary of the committee and myself in getting witnesses who are familiar with the subject and who have evinced an inclination or willingness to come to the committee to testify as to their experience and make recommendations. We have a list of the witnesses who have promised to be here. This will carry us along until about the 20th of the month, sitting every day. The first witness we have here who has volunteered to testify is a man of great experience—Mr. Henry S. Dennison, president of the Dennison Manufacturing Co., of Framingham, Mass. I shall be very pleased if Mr. Dennison will tell us his experience and training along this line.

**STATEMENT OF HENRY S. DENNISON, PRESIDENT DENNISON MANUFACTURING CO., FRAMINGHAM, MASS.**

Mr. DENNISON. Mr. Chairman and gentlemen of the committee: If it is agreeable to you, I will talk principally about the measures for diminishing unemployment that largely have been worked out and found successful. And in any discussion of what can be done about unemployment I want to emphasize my belief that it has got to be thought of under three separate divisions. The three are all unemployment. When built up on each other they sometimes make the situation worse, but from the point of view of any cures or steps toward betterment it is very helpful to consider them separately; in fact, I think quite necessary.

The first I want to speak about is the unemployment that comes with times of depression, whether you call them parts of the business cycle or not. There have been in the past dozens of periods of depression. We don't fully understand why they come, but they do come, and it would be very unwise to suppose we are through with them. They will very likely come along again in the future. Anything that is to be done toward mitigation or diminution of unemployment that arises from the cycle is separate from that which has got to be done for unemployment from other causes.

The next is the annual seasonal unemployment. It occurs every year; it occurs in good times as well as in bad, but, of course, rather less in good times than in bad. Certain businesses shut down in certain months of the year. Others are irregular and shut down at irregular periods during the year. It would be foolhardy to attempt to improve some of them, like cutting ice in the winter. But, on the other hand, there are a great many of the seasonal irregularities in manufacturing that can be conquered that have in fact been distinctly reduced in the last four or five years. A good deal of work has been done lately by some companies to reduce seasonal irregularity.

And the third, for lack of a better name, may be called "transitional." That takes place when people who don't fit their jobs are discharged, or quit, or when people are discharged on account of

changed processes. Until these people find other jobs they are among the unemployed.

These three I shall treat separately, from the point of view of reducing the amount of unemployment. I don't want to say prevention or cure, because I don't think there are such things in any absolute sense.

I will take these three in reverse order. To find the causes of transitional unemployment we should turn first to the record of the turnover; that is, the number of hirings and firings that go on in various concerns. Obviously, the more people that are hired and fired the more people there are out looking for some new job somewhere. To account for the fairly large amount of transitional unemployment which exists at all times we find that the turnover figures are enormous. The figures were shocking when they were first shown up. The first work on this was done by Magnus W. Alexander, who was then with the General Electric Co. He issued a pamphlet showing the number of people going from one job to another; and it almost seemed as if some employers were in the habit of firing workers just for the fun of it, or because they didn't like the necktie the worker had on. This was, perhaps, not uncommon in the old days. The cutting down of turnover is being pushed in industry pretty freely now, but still the figures are quite large. It is not uncommon, in fact, for the average or median figure for turnover to be from 50 to 60 per cent per year. If you have a thousand employees, let us say, you would hire and fire 500 to 600 in order to keep that group up to a thousand. Turnover can not be entirely eliminated, of course. It will always be present because of girls leaving to get married, and people leaving the community, but a tremendous amount of it can be prevented.

The CHAIRMAN. Are those figures the present figures, or are they for some previous period?

Mr. DENNISON. They are figures for the present time and show the best records we have had for a long, long time. Here are cases back in 1925 showing a turnover of 230 per cent, where industries were hiring and firing 2,300 men in order to keep the establishment up to 1,000 men.

Senator TYSON. Is that for a particular line of business?

Mr. DENNISON. That represents the metal trades—230 per cent for the metal trades in Milwaukee and Detroit. And it was 200 per cent in the New York and Philadelphia group.

Senator WALSH. Who collected those figures?

Mr. DENNISON. The Metal Manufacturers' Association, of Philadelphia. There are some figures collected by the Metropolitan Life which show considerable progress. Still there is a lot to be done and it can be done by letting the business men know, just as Mr. Alexander did, that it carries the possibility of a very considerable saving to them; and, incidentally, of course, it is a distinct saving to society.

The next step, granting that turnover is down to a practical minimum, is to have employment exchanges. When we get the turnover down to the best figures, to facilitate the transition, so that the workers don't have to go from door to door, employment exchanges fit in. They have other uses, of course, but that is a basic use.

Now, seasonal unemployment is a very serious matter and savings from its elimination can be of great importance both socially and economically to the country. It is obviously poor management, that is to say, it is very expensive for management to run a plant full time for 8 months and slack for 4, or partly for 10 and not at all for 2, as a good many do, for when a plant is shut down overhead expenses continue to go on. It is a very common experience in industry that there should be irregular periods of employment. Periods of seasonal unemployment vary in extent, and they vary as among industries. The ways of overcoming them, of course, vary among the industries on account of the special problems each has. Yet in general they can be more or less roughly classified.

The companies that have undertaken regularization policies are considerable in number. Mr. Feldman went into the matter two or three years ago and wrote a very good book on the subject. He included some 43 companies, and a survey made since that time shows about 40 more companies. There has been definite work done, enough to prove that work can be done and done successfully, that is, profitably. The throwing of people out of work seasonally is a thing we will always have to a limited extent. There will always be some girls in candy factories and in hotels thrown out of work seasonally. Resort hotels want more employees in summer than they do in the winter, and workers can not always be distributed about. But it is the preventable cases that we want to work toward diminishing. And, as I say, such work is profitable to both sides. It keeps up the morale and income of the workers and it calls for no sacrifice on the part of industry; on the contrary it cuts costs. But the idea needs advertising, it needs a knowledge spread widely around that it is practical.

The commonest cause of seasonal employment arises from the placing of special orders for special seasons. Special orders for clothing is a typical case. Certain kinds of clothing are not ordered until styles have been announced, and then are rushed at the very last minute. With other kinds of goods this seasonal variation has been helped by putting responsibility on the selling department to get seasonal orders as early as possibly and by giving special terms for early orders.

In our own case the success of our attempts to get early orders was really amazing. Jewelers want their boxes chiefly in the fall, and it was a tradition that they didn't place their orders for them until April or May. We wanted to handle them in January, and once we made a serious effort to do so, we had very little trouble in persuading jewelers to place their orders at the earlier date. That isn't a typical case, but it illustrates many cases where we all are at fault in failing to tackle the problem.

There are a variety of devices for helping to get special orders early for later shipment so that production can be taken care of smoothly and regularly, such as advance dating, which is quite common. Placing an early order with one paper house entitles the buyer to an advanced dating of two months or so. Special pricing also has been tried in a variety of industries.

Then, too, a number of concerns have definitely set about building up an out-of-season business. One shovel plant which sold its prod-

uct in summer took up the manufacture of sleds which can be sold in the winter. One of the reasons the Carter people put pens and pencils in their line was because the seasons for these products matched perfectly with the seasons for ink and glue. The season for ink was quiet in winter—because of ink freezing they had to ship in the early fall and not again until spring. Pens and pencils could be shipped in the winter months. A good many concerns dovetail side lines with their other goods. These side lines which can be sold in the off seasons are supplemental to the main lines and help to regularize employment.

The changing over from production for special orders to production for stock, that is, having staple goods replace special orders wherever possible makes for regular employment. Staple goods can be carried in stock. There are, of course, some products that can not be manufactured in advance, automobiles are goods that can not be over heavily stocked, but a very large proportion of the goods handled in this country can be stocked and to good advantage. If we produce staples and know roughly how they are going and don't depend entirely on the special orders, we can adjust our output so as to keep our forces regularly employed. In our own concern we figure out how our orders are likely to come in and adjust our production in such a way that we can work regularly, irrespective of the exact time when orders do arrive.

Senator WALSH. Are these discussions carried on among manufacturers and those who employ help?

Mr. DENNISON. Yes; but only crudely. They are the methods that have proved themselves and are being more and more discussed.

Senator WALSH. An active campaign of discussion along these lines would be helpful, wouldn't it?

Mr. DENNISON. Anything that would emphasize the desirability of eliminating unemployment would be helpful. We have been at it since 1914, when we were severely hit by a depression. Since that time, in Massachusetts, those that got into the middle of it realized that regularization was the cure for that sort of thing.

Senator WALSH. Has much been done to regularize employment?

Mr. DENNISON. Taking the country as a whole, not much has been done. Those that have done it have done well, but they form an extremely small proportion of the total number of business men.

Senator TYSON. Is there very much competition in your business?

Mr. DENNISON. Yes, sir.

Senator TYSON. Do you have very much change in prices for your own material?

Mr. DENNISON. Not very much.

Senator TYSON. Therefore you have a special advantage, so that your production can be distributed very easily over parts of the year. Where the prices of material have varied, such as on cotton and wool, you would have a different proposition.

Mr. DENNISON. Cotton and wool don't have very much trouble spreading over. When I was familiar with the situation three years ago, the cotton manufacturer hedged. He buys his cotton on futures, and thus his costs for raw material are fixed.

Senator TYSON. My experience is contrary to that. They make up two seasons a year—lights and heavyweights. That is what you

are speaking of. If wool is staple, that would be one thing; if cotton is staple, that would be another. My experience, at least, is that in both cotton and wool you will find that they buy two or three seasons a year. They can not easily produce for stock, although they are getting more and more to do that now. I think you are doing the right thing if it can be done. In some industries you have a lot of orders at one time and don't have any at all at another time.

Mr. DENNISON. A complete cure can't be had. When industry starts in to improve and discovers for itself the varied financial advantages of eliminating waste, it usually finds some more waste which it can save. If the same ingenuity could be applied to the problem of employment as has been applied to the question of the installation of machinery, we should have a great improvement. We will not entirely cure it, but by constantly eating into the waste pile we will decidedly improve the seasonal problem. If the problem is a serious one, as it is in many cases, it is necessary to look over all possible ways of reorganizing the particular industry concerned. It is possible in a good many cases, where the irregularities of employment come at regular times, to plan in advance of certain fluctuations and keep production more or less stable. If this attitude is developed in all of those industries where an attack can be made upon seasonal irregularities, we can well find a way to cure seasonal unemployment. In those remaining cases where nothing can be done about it, it would not be of such importance as to cause any serious national question. If individual employers or managers of business can be made to tackle the problem seriously, I think it will be reduced to a relatively unimportant one.

Finally, effective training of operatives in supplemental jobs is being carried on in many plants more and more actively. We formerly thought that a person could only be successful on one job. Experience, however, has shown rather the reverse. There are certain people who can be transferred from job to job and gain great skill in two or three jobs.

American business is taking to the budget system more rapidly than ever before. The budget forces us to look ahead, and it clarifies more and more the special losses that we undergo in business. Without a budget we do not see when our losses are incurred. We are unable to tell whether they are concentrated in August, September, or December, but when we lay out a budget these special conditions are brought very much into prominence.

The measures for regularizing employment, then, are various. Many measures for the prevention of seasonal unemployment are relatively simple, and I think that they should be spread abroad among all business men.

So far as unemployment growing out of the business cycle is concerned, we have a much more difficult problem, and one which, when it does come, is a more serious problem than the other types of unemployment. Yet I suppose we could get through a business cycle without great suffering and loss if we could keep cyclical unemployment from piling up on top of seasonal unemployment, as it did particularly in 1914.

The country is well-to-do when people are unemployed. Somehow or other we can't put them to work during business depressions, be-

cause we are too well off. We have too many goods. How to eliminate the business cycle is not an easy question to answer. Those who had experience with the 1914 unemployment problem know how suddenly it came upon us and how severe the problem was. The first thing to do in order to flatten out the business cycle is to increase the knowledge at the command of business men. The Department of Commerce has been working to this end constantly. We can not have too much information. The more widely the knowledge of present conditions spreads the better chance we have that people will gauge their activities on actual knowledge rather than by guesswork and snap judgments. The first thing to do in order to mitigate the conditions of the business cycle is to know more and more about conditions, such as stocks on hand, production, and the activities of other businesses. This sort of information is now being collected and disseminated by the Department of Commerce and by private agencies as well.

The Government can help in moderating the business cycle by making a provision for public works during periods of depression. Private industry should also make reservations for periods of depression and keep back certain work which otherwise would be done in times of prosperity. In the President's unemployment conference it was perfectly obvious that once we get into a hole we are at a very great disadvantage, and that the measures for mitigating the evils of the cycle are not to be taken after the depression is upon us. When we attempt to do things when already in a period of depression we are undertaking nothing but patch work. The way to reduce the swings from extreme prosperity to extreme depression is to control ourselves during prosperity and not go the limit and "blow" ourselves for everything when the going is good. We have to learn that in every branch of life. It is a healthy lesson, anyhow.

During the panic of 1907 most people were absolutely dumbfounded. They acted as if that sort of thing never had happened before. There were only a few people, like Mr. Schumann, in Boston, who had made provision for such a thing. The rest of us believed that each panic was the result of some unique individual cause. Somebody's name was usually attached to each panic and we felt that the individual whose name was tied up with it was the determining cause. Yet you can go back and find them recorded time after time, dozens of them, in history.

When we are able to estimate with reasonable correctness what stage of the cycle we are in at any moment then we can make some provisions for the future. We must, therefore, cultivate among our business people the idea of reserving activity—holding back—and not blowing ourselves in peak times.

The CHAIRMAN. This system of installment sales, or consumers' credit, was that merely a method for keeping up our unusual prosperity?

Mr. DENNISON. I don't think anybody can answer that question with full knowledge. I think that all we can have are our own tentative views. My own view is that installment buying did not materially affect the character of the swing. It was rather like a dose of greenbacks. It meant from three billions to five billions of additional purchasing power rather rapidly thrown into the

economic situation, and it served about the same as though we had increased our currency. There is a limit to this, however, and I believe the credit institutions of the country will always limit the extent to which we can use the installment system for buying.

The CHAIRMAN. So that the benefit from this consumers' credit can not continue to grow?

Mr. DENNISON. No. It is the kind of medicine you can take once. If you take two doses you are in a bad way. It is like inflation—if controlled it is all right.

The CHAIRMAN. Was it wise to have taken the first dose?

Mr. DENNISON. I think so. I don't see why not. Under control I don't see that that is a bad thing at all. If it got out of control it would be very bad. But the same can be said of everything.

Senator WALSH. When an effective cycle of depression comes, though, won't the depression be sharper?

Mr. DENNISON. We haven't been through a real depression since the installment system has become prevalent, although some people think it won't make any difference, for we went through a moderate one in 1924, when there was a good deal of installment money out. A good many are ready to say 1927 was not too active in some lines and that installment buying did not seem to show any unfavorable effects then. I think, as I have said, that installment buying is like a dose of greenbacks, and if limited to a certain amount it changes the situation for the moment, but will have no lasting bad effects.

The CHAIRMAN. What was the advantage of taking it, then, if it only tended to speed up business?

Mr. DENNISON. It put us just that much ahead, and if there was no bill to pay afterwards and no extra cost it did no harm. Some individuals have overplayed it, of course.

The CHAIRMAN. If that was successful why not keep on trying it?

Mr. DENNISON. One dose is all right, but more than one dose may do us harm.

Senator TYSON. Does not installment buying help consumption along?

Mr. DENNISON. It is the same thing as inflation. There is nothing bad about a single dose of inflation. The trouble is you can't stop it after you get going. It is like morphine. There is nothing bad about one dose if you can stop at one. In installment buying there is always a final check in the bankers who control the credit situation and there is a limit to the amount of credit they will extend for installment purchases.

The CHAIRMAN. You don't believe, then, there is to be any deflation after the first inflation that you spoke of?

Mr. DENNISON. If it is just an ordinary dose. It is conceivable that England could have gone on at \$3.80 to the pound. France did not deflate. England, however, was proud and would have been hurt. Inflation in itself is not necessarily a bad thing. It must be controlled, however. I am not an economist and my word must not be taken too seriously on this, but to my mind the worst dangers of inflation are obviated if we can be certain of keeping it under close control.

The CHAIRMAN. The trouble in regard to it, to use your analogy, is that if you took a dose of morphine and you liked it, you are very likely to try it again.

Mr. DENNISON. Yes. That is the reason why printing greenbacks is deadly. Installment buying, however, is not fatal because it carries its own cure. You get enough pretty soon and you don't want any more. Your credit structure saves you. That is, I think, the advantage of it as against other methods of inflation.

In handling cyclical unemployment we come to the consideration of public works—city, State, and national—in just exactly the same way we would consider the work of corporations. At the height of prosperity when all are active is the time to do not quite so much. When conditions are slack is the time to do more. To accomplish that we certainly have got to do some advance planning. In 1914 all the States were ready, more than ready, to do everything they could to help out in the situation, but when they undertook to do so they found that it would take six months before they could put a single shovel into the ground. Senator Walsh remembers that during the depression of 1914 we attempted in Massachusetts to drain the Bridgewater Swamp, but before engineering reports could be in and plans could be made, a year and a half would have passed. Without advance planning, anywhere from six months to a year is taken up before a bit of work can be done.

In all the Government units we should establish the custom of planning public works in advance, and then control ourselves so as not to carry them on just because they were planned. With private companies the same control is necessary and the public must face this same question. To control the cycle is to control ourselves.

Senator TYSON. You testified before the Committee on Commerce on the so-called Jones bill, did you not?

Mr. DENNISON. Yes.

Senator TYSON. You are in sympathy with the principles of the Jones bill?

Mr. DENNISON. Yes, sir; I think those principles ought to be adopted. If the principles are adopted much more can be done than could be written into any bill. In our company when we undertook advanced planning, we did so because we got so deeply involved in 1914. We laid out a program for ourselves—we wrote our own "Jones bill," and then worked it out. Soon it became so automatic that now we don't need any Jones bill. In times of great activity, for example, we realize now that we don't need so much advertising, the factory is full anyhow. The time for heavy advertising is when business is slow and we haven't full employment for our force. An entire reversal of mind was necessary and we have found that our minds have been reversed automatically once we have put in a system of advance planning. When we make our plans the first of the year, if it looks as though we are going to have an active year, we find that that is the time to say "What can we trim from here and there?" If it looks as though it is going to be an inactive year, then we should put in tonics to spur or increase our selling efforts to meet the situation.

I am confident that if we give the Jones bill a fair chance it will start a custom that will be stronger and have greater effects than any

other single bill could have. And, of course, it will have its reverberative effects on the States and the cities. We must impress upon our people the doctrine that we must control ourselves during periods of activity. We must study what is going on and carry out a long range program for the good of the social and industrial structure. Reserving public works for periods of inactivity means getting raw materials at periods when prices are easier. If prices are not easier we can at least get better workmen at the same wages that we would have to pay for inferior workers during periods of great activity. During periods of unemployment the best men, working at their best pace, are usually available at normal wages. If we attempt to do our work in busy times, even if the wage rate is the same, our workers will not necessarily be of the higher level. It is best to do more during times of unemployment than during times of great employment.

Senator TYSON. I want to ask you, what about production—do you think the country can produce more than it can consume in nearly every line of endeavor?

Mr. DENNISON. It can be done temporarily, I believe. I think that there is a rate of increase in consumption that perhaps we might not exceed safely. I do believe, however, that consumption can increase ad infinitum.

Senator TYSON. You can't increase consumption unless you have somebody that can buy, and in order to buy a man has got to be employed. Now, take the cotton machinery in your own State. If all the cotton mills in New England were going overtime we would come eventually to the point where they wouldn't have this unemployment. Don't you think the country would soon be overstocked?

Mr. DENNISON. Yes.

Senator TYSON. Assuming that the present hours of labor were to continue and full-time employment given to everybody, don't you think that the country would be overstocked in a very short time?

Mr. DENNISON. Overstocking a single commodity is quite a different thing from overstocking everything. Going back about 150 years ago, since the industrial revolution, we have been increasing our production and we have been increasing our consumption. We got into difficulties when the production of certain commodities increased too fast. But over that whole period of time there is sufficient proof that we can increase production at a certain rate each year and that rate can go on forever. Red flannel petticoats, of course, have gone out of fashion, and it would be absurd to continue producing them, for no matter how few you produced you would be making more than the market could take. So with individual goods of all sorts, they come and go and you can overstock with them. But we haven't yet reached the point where we can have too much of all commodities. Now, as a matter of fact, on account of manufacturing efficiency increasing since 1922 and 1923, and the notable increase in the productivity of the workers, we have fewer men in factories than we had before. At the same time we have a greater factory production.

Senator TYSON. Have we more unemployment than we had two or three years ago?

Mr. DENNISON. No.

Senator TYSON. We are consuming now practically not all that we can manufacture. If we had everybody employed, what would happen then?

Mr. DENNISON. There might be a period of adjustment that would have to be allowed for—a short period of adjustment—and then, to judge from the past, we should be able to consume all we produced, provided it was not all out of balance as between one kind of goods and another.

Senator TYSON. Do you think it would be beneficial for unemployment to have shorter hours of labor?

Mr. DENNISON. That is a temporary matter if it is put in just to help unemployment. For the long run, I do not think it would help much.

Senator TYSON. Do you think if you had 60 hours of labor a week you would increase unemployment?

Mr. DENNISON. At first, if we should work 60 hours a week, I suppose we would increase our output without immediately increasing proportionately the demand for goods. Then after a period of adjustment we would probably consume all that could be consumed, judging by the past. I suppose it is fair to assume that we can look forward to a 5 or 6 per cent increase in consumption each year without fear of abnormal unemployment.

Senator TYSON. It seems to me what we want to learn is to consume more. If we don't find some method of consuming more it strikes me that the great thing for people to do is to find some way for the people to consume more, because we can certainly consume a great deal more than we are producing now. And if we don't sell all we produce everyone gets into trouble sooner or later. The pig-iron industry is now depressed very badly. The textile business is very badly depressed. The coal business is very badly depressed. The woolen business is very badly depressed. Everybody knows that there is overproduction. Now, then, how are you going to remedy that—by continuing to produce?

Mr. DENNISON. Is it so accurate to say that there is overproduction in those lines, or is it overcapacity to produce?

Senator TYSON. No; if they would only use all the capacity they could in the cotton business you could produce in 75 per cent of the normal working time all that the country can produce working irregularly 100 per cent of the time, but if you had to produce 100 per cent of the time the whole country would go broke.

Mr. DENNISON. Business men in reaching for their own advantages make mistakes very often in putting in too much equipment.

Senator TYSON. Then what would become of the people that are being employed now in factories that operate only temporarily? Regular employment everywhere would certainly cause unemployment for the time being in many lines of industry.

Mr. DENNISON. That would cause unemployment for the time being, but the workers would have other employment eventually. I don't think that a reasonable percentage of overcapacity is a serious matter. I think it is probably necessary, because we don't know just how to adjust our capacity just right. A moderate overcapacity is a good tonic. People try harder to become efficient because of this overcapacity. When you come to overproduction, that can't be car-

ried on very long, because it means that somebody's stocks of goods, somebody's merchandise account, must grow very big. I don't think that is now true in cotton manufacturing.

Overcapacity, if not excessive, is not, in my opinion, a very bad feature. Sooner or later we come to the point where we have 10 to 15 per cent, perhaps, of overcapacity. I don't think that that is anything more than reasonable insurance, and all that it means is that the return on capital has to adjust itself. We have to have a little extra to meet situations that can not be known. In normal situations I don't think overcapacity could be called an evil. Overcapacity in the coal industry is, however, very serious. Part of the overcapacity in the textile business came out of the war demands, and then, of course, there is the change of custom in women's dresses. Women's clothes now take one-fourth of the textile material that they took a generation ago. There are swings in demand in individual cases that are simply the result of having to adjust ourselves to changed conditions—changes in civilization. Those I do not think we can hope to avoid. When there is a new kind of wheat developed, as in the Canadian Northwest, it has its effect upon certain farmers in certain parts of this country. Those are adjustment evils that I do not think we can avoid.

That brings me to the last point I want to make about our own company. We realized that we should do everything we could to stop irregular employment, and that, nevertheless, even at the best there would still be some unemployment. So we instituted a plan in 1915 and started a fund for unemployment relief. It has proven highly successful. The fund has amounted to \$150,000, which is used to take care of our regular employees who are put out of employment when we have no work for them to do. If laid off because of lack of work, we pay them 80 per cent of their pay if they have dependents and 60 per cent of their pay if they do not have dependents. Relief begins within one and one-half or two days of the time of unemployment. This has been one of the most fruitful things we have done.

The CHAIRMAN. That fund—was that created entirely by your organization?

Mr. DENNISON. Entirely by our organization.

The CHAIRMAN. There wasn't any augmentation of it by the employees?

Mr. DENNISON. Not at all.

Senator WALSH. Have you reports in confirmation of the information which shows the extent to which such funds have been developed by other firms?

Doctor LUBIN. We have on our list witnesses representing a half dozen firms who have done that very thing.

Mr. DENNISON. The great value of this unemployment fund is that it assures employees that a distinct effort is going to be made to keep them regularly employed.

The CHAIRMAN. In other words, if there is any lack in managerial initiative you are penalized out of that fund?

Mr. DENNISON. Certainly. It is away beyond anything we thought possible. Executives are strongly impelled to see that something is done so that we shall not have unemployment. It is a spur to the elimination of unemployment, just as our mutual fire premiums are

spurs to eliminate the hazard of fire. Our unemployment insurance is a daily practical reminder that workers are not to be laid off. The way the thing is working is very astonishing. We pay out not only for actual lay offs but we pay when we transfer a man or a woman from one department to another when the rate of pay in the new department is not equal to the rate formerly received. This system is administered by a joint committee of workers and the management.

With a regular pay roll of \$75,000 a week we have paid out since 1920 only \$75,000. Our worst year was 1921, when we paid out \$25,000. The pay roll was smaller then. What our unemployment scheme has done is to state definitely that "We are going to fight unemployment through the institution of this fund." We guarantee to pay only to the extent of the fund. It isn't strictly insurance, for we don't guarantee to pay for any indefinite time, because we can not tell what the cost will amount to. We say, "We will pay until the fund is exhausted."

This has been the best single move we have ever made in our whole labor-management policies. Other concerns will tell you about the success of similar measures in their plants. Sometimes the scheme takes the form of guaranteeing employment. Practically, in our plant, we work so hard to keep our people on the pay roll that our scheme is in effect a guarantee of employment. It is a shock absorber.

Other individual corporations have undertaken similar measures, and some of us met recently and talked over with each other the problems we have to cope with, and we discussed improvements and suggested changes.

Senator WALSH. How many firms were represented in this discussion?

Mr. DENNISON. Eleven firms.

Senator WALSH. In the whole country?

Mr. DENNISON. Well, that was all we know about. There may be others.

Senator TYSON. Were they all in the same kind of business you are in?

Mr. DENNISON. No.

Senator TYSON. Different kinds of business?

Mr. DENNISON. Different kinds of business.

Mr. SWEETZER. Some of them were the most seasonal in the country. One was a writing-paper firm, another was a clothing firm; one was cast-iron pipe; another was candy—Schraft's candy—and another was a diamond cutter in New York, and so on.

Senator WALSH. Mr. Dennison, if you have finished this one phase of the discussion, I would like to have your comments upon this matter: I have been impressed by the large number of letters that have come to me in recent years from a class of men stating that they had been denied work or been discharged from their employment and were unable to get new employment because they had reached the age limit of 50 or more years. That seems to be a growing complaint or assertion. I would like to have your views on that feature of unemployment.

Mr. DENNISON. We tried very hard last summer, in a survey of 100 concerns, to find cases of that sort. While there were a few more, perhaps, than there used to be, we couldn't find any evidence that they were as great as popularly supposed.

It has always been hard for the man of 55 out of a job. There has usually been an age limit where a man's fingers stiffened even if his knowledge of the job got better. On the other hand, the modern implements that have grown so rapidly do take the places of some of the older men. But retail selling has increased, and there is there a demand for the middle-aged. Doctor Lubin has studied that and can probably give a better answer than I can. I am inclined to think that it is not a serious problem. However, among the unemployed you would probably find some larger proportion of older men than you used to.

Senator WALSH. Has unemployment among the older men increased? When working forces are reduced are the older men discharged first?

Mr. DENNISON. Only a little more than has always been the case. There has lately been a very strong movement toward more productivity and in manufacturing there is a tendency toward the discharge of the older men whose best working years have passed by. When we go through the plant as carefully and as earnestly as we have had to during the past five years, to find every possibility of eliminating waste, we find men of all ages who have just been doing one sort of thing or another and we are led to figure what good they are doing. Jobs of that sort are often eliminated. When we do this we usually find something for these fellows to do. There has always been the practice to discharge at a certain age in industry, and it is probably more than it used to be; but it does not yet seem to me to be an important problem.

Senator WALSH. Some of the most pathetic cases have come to my attention—of men with families, large families.

Mr. DENNISON. In our own shop in 1905 we wouldn't take a man of 45 if we could get a man at 25. It is less expensive to break in a man of 25 than it is a man of 45 whose habits are set, except in a very few cases where there is a trade knowledge that comes with the increase of years and which makes up for the lack of physical activity. I think it is slightly worse than it used to be, but still it is not yet a problem of major size. Nevertheless, it is very difficult and very discouraging for the individuals concerned.

Senator WALSH. Do you know if any of these concerns—and have you evidence of them—have rules and regulations when they take on new employees, to instruct their employment agents not to take on men over 50?

Mr. DENNISON. I don't know of any particular case. Among the 100 concerns I am speaking about we didn't have a single case of that kind. The old story is that if you can hire the younger men to do the work they become better acquainted with it. Of course, we would always rather have started them in at 20, every one of them, from top to bottom.

Senator PHIPPS. How many of those cases would have to pass a physical examination to see how healthy they were—something like 20 per cent?

Mr. DENNISON. I don't think you would find anything like 20 per cent, but the practice of physical examination is growing all the time.

Senator WALSH. In a public forum a Polish priest put this question to me that I put to you, stating that amongst his parishioners he

found a very growing tendency to discharge men of large families who reached 50 years of age. He was a clergyman, working among a class of people noted for their hardiness and endurance. I was quite surprised at his insistence upon the importance of that problem and his fear for the future because of its possible growth.

Mr. DENNISON. He is getting his first dose of it. It is only in recent years that people of this character—the immigrant population from the southeast of Europe—have come into the class of the middle and old age groups.

Senator WALSH. And you think that will always happen and increase?

Mr. DENNISON. Slightly. Doctor Lubin has made a study of several hundred individual cases and he knows more about it. So far as we can find we don't believe that it ever was a major problem. Society has changed its methods and its demands upon the different members of the family. In the old days of handicraft the younger people were left out of the picture in part; now the younger ones have to do more of their share of supporting the family.

The CHAIRMAN. I don't want to bore you on this morphine question, but I am very much interested because usually the more we take of morphine the more we want to take. Don't you think that installment buying will act in this way?

Mr. DENNISON. There are a lot of individuals who would like to see more of it so that they might sell more goods.

The CHAIRMAN. So when we want another period of great activity, will we take on more morphine? In other words, the patient has had a dose of it and liked it, and the doctor comes in to stimulate the situation by giving more morphine in the form of credit. The patient likes the dose.

Mr. DENNISON. The installment people do.

The CHAIRMAN. Of course, they go back to the credit fund and make a profit. So does the banker. You can't do business with the banker without making a profit.

Mr. DENNISON. I am glad to know that.

The CHAIRMAN. You knew it before I said it.

Mr. DENNISON. Of course, I knew it; but I didn't say it because I might have my credit curtailed.

Senator TYSON. Do you think that they sell a great many more automobiles to-day because of the installment plan than they could possibly sell if they did not have it?

Mr. DENNISON. I think when they started in it they undoubtedly did, but it is questionable to-day.

Senator TYSON. Do you think a man would buy a car if he had to pay \$700 or \$500 down as quickly as he would if he only had to pay \$50 down?

Mr. DENNISON. No; but we must bear in mind that he has committed himself to pay installments on a variety of things.

Senator TYSON. New people are coming into the country every year. A man has an automobile which is paid for and he wants to get a new one. He says, "I will turn it in and get a new one on the installment plan." Do you think that Henry Ford, one of the greatest business men in the world, would have adopted the installment plan if it wasn't a good thing?

Mr. DENNISON. I have said that the installment plan was a good thing.

Senator TYSON. Then why not continue it if it is a good thing?

Mr. DENNISON. The evil would be in allowing the system to get out of control.

Senator TYSON. A man couldn't be carried if he didn't buy things on the installment plan.

The CHAIRMAN. I think there is a conflict between the Senator and the witness. I asked whether it was wise to expand the installment plan.

Mr. DENNISON. My guess is that it has reached its limit. Its proportion does not seem to increase and has not increased in the past two years.

Senator TYSON. To stop it would be a very bad thing.

Mr. DENNISON. To stop it would be a very bad thing.

The CHAIRMAN. Doctor Lubin desires to ask a question.

Doctor LUBIN. Mr. Dennison, can you give the committee an approximate estimate of what proportion of unemployment could be eliminated by an attack upon this problem of unemployment by American industry itself?

Mr. DENNISON. All sorts of unemployment, I feel certain—I can't express it in figures, but the serious part of unemployment could be conquered by the Government and industry acting wisely. If the Government and industry should attack this problem in the right way, we should be able to cut our unemployment by at least one-half.

Doctor LUBIN. Has your firm found regularization a profitable venture?

Mr. DENNISON. We surely have. There isn't anything we are more sure of, and we would do it again readily. In recently discussing with our employees which of our schemes should be given up if it were ever necessary to make a radical change, the employment guaranty feature was the last one that they wanted to see go, and that in spite of the fact that they have only received \$75,000 from this fund in the last eight years.

Senator WALSH. How many employees do you have?

Mr. DENNISON. Three thousand.

Senator WALSH. How many did you have in 1921?

Mr. DENNISON. About 2,700.

(Appended is a statement showing the unemployment fund reserve transactions of the Dennison Manufacturing Co., Framingham, Mass. This table shows the source of the reserve unemployment fund, and the payments made each year from the funds, from 1920 to October 31, 1928:)

*Summary of Dennison Manufacturing Co., unemployment fund reserve transactions*

Appropriated from profit and loss:

Dec. 31, 1916.....	\$20,000.00
Dec. 31, 1917.....	35,000.00
Dec. 31, 1918.....	35,000.00
Dec. 31, 1919.....	50,000.00

Total appropriated from profit and loss..... 140,000.00

Interest on fund:	
1916-1920, inclusive.....	\$9,641.28
1921.....	7,056.00
1922.....	5,750.00
1923.....	6,630.00
1924.....	4,806.00
1925.....	5,822.50
1926.....	5,760.00
1927.....	4,485.49
Total accretions.....	189,951.27
Less payments from fund:	
1920.....	\$4,489.97
1921.....	23,372.92
1922.....	1,510.15
1923.....	1,348.29
1924.....	2,084.11
1925.....	8,981.01
1926.....	20,924.27
1927.....	15,465.27
Subtotal.....	78,175.99
1928 (10 months).....	6,413.89
Total payments.....	84,589.88
Balance of fund, Oct. 31, 1928.....	105,361.39

(The following table is an analysis of the payments made from the unemployment fund reserve of the Dennison Manufacturing Co. It shows how much was paid out each year for actual lay off, how much was paid out from the fund to make up the differences in wage rates which resulted from transfers of labor to new jobs to avoid unemployment, and the percentage which unemployment payments bear to the total yearly factory pay roll:)

*Analysis of payments made from unemployment fund reserve*

Year	Cash paid for actual lay off	Difference in value of labor paid on transfers to avoid unemployment	Total payments	Per cent of unemployment payments to factory yearly pay roll
1920.....	\$2,897.22	\$1,592.75	\$4,489.97	0.0014
1921.....	18,602.08	4,770.84	23,372.92	.0080
1922.....	111.80	1,398.35	1,510.15	.0065
1923.....	496.20	942.09	1,348.29	.0064
1924.....	22.06	2,062.05	2,084.11	.0006
1925.....	945.43	8,035.58	8,981.01	.0025
1926.....	7,382.32	13,541.95	20,924.27	.0057
1927.....	6,146.35	9,318.92	15,465.27	.0042
1928 (10 months).....	36,513.46	41,602.53	78,175.99	.0029
	2,159.85	4,254.04	6,413.89	.0022
	38,673.31	45,916.57	84,589.88	.0028

(Thereupon, at 11.50 o'clock a. m., the committee adjourned until to-morrow, Wednesday, December 12, 1928, at 10.30 o'clock a. m.)

## UNEMPLOYMENT IN THE UNITED STATES

WEDNESDAY, DECEMBER 12, 1928

UNITED STATES SENATE,  
COMMITTEE ON EDUCATION AND LABOR,  
*Washington, D. C.*

The committee met, pursuant to adjournment, at 10.30 o'clock a. m., in the committee room, Senate Office Building, Senator James Couzens presiding.

Present: Senators Couzens (chairman), Tyson, Walsh, and Locher.

Present also: Dr. Isador Lubin, economist, Institute of Economics of the Brookings Institution, Washington, D. C., assisting the committee.

The CHAIRMAN. I think we will proceed. We may have some more of the committee here later on, but they are all busy for the moment. Will you enter in the record Mr. Lewisohn's connections and activities.

Doctor LUBIN. The reporter has that information, Mr. Chairman.

The CHAIRMAN. Mr. Lewisohn, we will be very glad to have you tell us what you know about this unemployment situation.

**STATEMENT OF SAM A. LEWISOHN, DIRECTOR EQUITABLE LIFE INSURANCE CO., DIRECTOR OF THE BANK OF AMERICA, FIRST VICE PRESIDENT TENNESSEE COPPER & CHEMICAL CORPORATION, FIRST VICE PRESIDENT MIAMI COPPER CO.**

Mr. LEWISOHN. Mr. Chairman, it is my belief that if seasonal unemployment were done away with we could probably save to American business, conservatively, \$2,000,000,000 a year. I will explain the figures later on. Up to recently unemployment has been considered largely a matter of taking care of the unfortunates, the unemployables, and the mendicants. Twenty years ago it was considered a matter of getting work for tramps, or, as a matter of fact, making tramps work. Now we realize that it is really a complex problem of industry, in the broader meaning of that term. Though it isn't a matter that can be cured solely by industrial executives, unemployment is largely a matter of having our whole industrial organization work better. And the main point, I think, to keep in mind in unemployment, on its preventive side, is that it can not be approached directly, but rather as an incident to other problems.

I suppose the trouble was that we used to regard unemployment as a sort of specific germ disease that could be eradicated by finding some specific cure, some panacea, some antitoxin. More recently,

since it has been studied more thoroughly, we realize that it really is a symptom of a lot of complex situations that arise in connection with other problems. Sometimes it is due to situations that are the exact opposite of each other, just as a rash can be due to a healthy condition, like sunburn, or an unhealthy condition, like hyperacidity. In a similar way anyone connected with business can see that unemployment is the result, fundamentally, of a healthy condition of the country, sometimes of an unhealthy condition. Sometimes it is the price of progress, sometimes it is the price of decay. For example, we can have unemployment in a country such as this, in a healthy condition, having healthy growing pains, due to the introduction of labor-saving devices; and, on the other hand, we can have unemployment in a community that is economically decaying. We have had it in States such as Colorado, you will remember. Senator, where we had unemployment due to the fact that the mines were more or less exhausted in that State. We have unemployment in a country like Austria, or the port of Venice, where the channels of trade have changed.

Again, we can have unemployment due to opposite conditions, due to efficient management, and you can have unemployment due to inefficient management. For example, progressive management is often under the necessity of introducing labor-saving devices. Take the mining business, in which I am engaged; very often we find ourselves under the necessity of mining more efficiently in order to mine the lower grade ores. Now, that is a sign of efficient management to be able to do that, and yet it may mean that you suddenly would have to throw out several hundred men on the community. Now, in the same way we are hearing of the introduction of new processes in some of the steel plants. I know one in particular that is run by a friend of mine. They have new processes and they are under the necessity of discharging 500 men just because of efficient management.

Now, on the other hand, we have the problem of seasonal unemployment, and that type of unemployment, far from being due to efficient management, is due usually to inefficient management. Seasonal unemployment, as I suppose some other gentlemen have explained to you, can be met, largely met, by executives who possess a sufficient amount of ingenuity, Yankee ingenuity, and Yankee imagination. And thus where we have that type of unemployment we can say that we have had poor management, whereas in the other cases it was really the result of good management. I think the main point to keep in mind, therefore, in all these problems is that unemployment can not be approached directly, and that it must be approached as an incident in the solution of other problems.

I am discussing this problem of seasonal unemployment first because it is the one problem that is the most susceptible of a direct, definite, and immediate attack. Its cure quite often is a by-product in the process of solving some other problems. It is something that you can do something concrete about right away—now. If the business men are conscientious enough about the problem, and if they attack it with sufficient ingenuity, it always seemed to me to be a very interesting problem in which there doesn't have to be any conflict between the desire of business men for profits and their social

and humanitarian instincts, for we all know that seasonal unemployment is usually a needless waste which cuts down our profits.

I have estimated that probably if we were able to do away with that type of unemployment we could save \$2,000,000,000 a year in profits. We have unemployed, year in and year out, approximately, let us say, 1,600,000 to 1,700,000 men. We could probably do away with a million of that unemployment, which would mean that we would have done away with about 3 per cent of the unemployment among those that want work, which number about 35,000,000. I am just estimating it. Our national income is about \$70,000,000,000 a year, and that would mean that we might save about \$2,000,000,000 a year. So here we have the problem which is incidental to the problem of making larger profits.

Now, I am not going into detail about the seasonal unemployment, because I am in the mining business, and also, to some extent, as a by-product, in the acid and fertilizer business, in which we have practically continuous employment. We have certain seasonal problems that we meet in the fertilizer business by the establishment of proper storage facilities. We make a large part of the acid that is made in the South and we have found it important to see that we have enough storage facilities so that we don't have to shut down our work unduly.

Seasonal unemployment, as the name implies, and as you gentlemen know, is a matter of unemployment due to the yearly seasons. Winter compels a change in diet, in clothes, and in recreation, and there are certain industries in which we have the problem of what electrical engineers call the peak load. We have that in the electric-light business. We have tried to do away with it. The activities of the particular business or industry are concentrated at one time for us, and unless something is done about meeting the problem there is no work for the men for the balance of the year.

Of course, we have the farm problem, and many of us who have farms try to find work for the men to do in the winter, so that we can keep them employed all through the year. During the President's unemployment conference in 1921 a serious study was made of the problem and we sent a questionnaire around, and we found a large number of businesses doing a great deal to meet the problem. Of course, you are all familiar with the type of man that goes into the coal business in the winter, and the ice business in the summer. We have seen those in the migrating hotel business who don't employ their people in the hotel business in Florida during the summer but take them away to the Berkshires. The business man who has given any thought to the problem begins to realize that there are ingenuities that can be introduced all along the line. Now, for example, there are, first, ingenuities in distribution. The telephone and telegraph companies cut their prices at certain times. The anthracite coal companies have done it to some extent. In the automobile business we know that people used to think that they could use cars only in the summer. Now, with the closed cars, they use them just as much in the winter, so that we haven't had that seasonal problem to such an extent there.

Then there is the method of introducing supplementary lines. A manufacturer of farm and garden implements, for example, may

introduce sleds in order to balance that business so that he can keep his men at work the year round. It is very much of a problem, and I am giving these examples merely to illustrate it.

Then there is the problem of manufacturing for stock. You will probably hear about that further from Mr. Draper. In my own experience I have found that it is important to have managers keep in mind the necessity of providing adequate storage facilities so as to make it unnecessary to close down the plant just because the demand for a short time may not be sufficient. I am not going further into details, because it seems to me that this matter is largely a matter of emphasis, and those interested in a public way in this question can best help bring about progress in it by providing educational means to bring this matter into the consciousness of the business men. The important thing is to make regularization the fashionable thing to do. We know that our business men always do the profitable thing and should use their ingenuity to make regularization fashionable, but they don't.

Necessity is the mother of invention, and in business, it seems to me, anybody can realize that the important thing is to create a state of mind among business men so that, if I may use the phrase "regularization first," it becomes the fashionable thing among them to introduce stability in their plants. I think that once the business men are alive to the possibilities in this direction we can rely on their ingenuity to find means of solving the problem. Here we have a problem that is largely one that business executives can solve.

Then we have the problem of technological unemployment, which is the price of progress and a real acid test of a healthy condition. Somebody called my attention to that in 1900. They were complaining of technological unemployment. We heard complaints about high unemployment due to labor-saving devices during the latter part of the nineteenth century.

Now, here it is, in a way, a sacrifice the working man is asked to make to posterity. There is really no solution of this problem except to provide adequate public labor exchanges. Our private exchanges aren't adequate.

Many of us have felt that we should have adequate Federal and State unemployment services that cooperate with each other. An investigation by the Institute of Economics has shown that American labor is very adaptable and that it readily jumps from one trade to another.

The CHAIRMAN. Will they jump from one location to another as well as they will jump from one trade to another?

Mr. LEWISOHN. We have men come down to Tennessee from Detroit, Senator, down to our plant in Tennessee, and the difficulty we had was to be quite sure that the men we took from the automobile business were adapted to mining. That is a matter of trade test. They will come if it is necessary; but, at any rate, I think we can not ask labor to make all the sacrifices in this problem of being absorbed into other work, because of the introduction of labor-saving devices. It seems to me we should at least do everything we can to help them. Besides, it would be profitable for the country to do so. There are a lot of complex problems connected with it. We are further behind in Federal employment exchanges than they

are anywhere else in the world, and this situation seems to me almost ridiculous.

The CHAIRMAN. Isn't that due to the fact that the country is so large, compared with other countries—European countries?

Mr. LEWISOHN. I don't know. One of the causes has been, Senator, that we tried to take it up during the war, and set it up too quickly, without proper administrative study, without proper civil-service concern, and the proper thing in the Federal service, both State and Federal, is the administration, as it is in all these problems. It seems to me that the way to solve that problem is to make sure that we have a well-paid staff at the top to go about it just as they would a big business. And, indeed, it is a big business.

I suppose doing away with seasonal unemployment by business men is one of the most important things we can do toward the unemployment situation in the country. It is well that an adequate appropriation should be made by Congress for the building up of an efficient staff. The first thing, it seems to me, is an adequately paid director, which would assure the country that adequate service is given. There has been a great deal of experience had on the problem and a very extensive survey made by the Russell Sage Foundation. I think there is no doubt that we could have an adequate survey made if anyone was anxious enough to have it. We are very ingenious when we want a thing hard enough.

I see no reason why we shouldn't have a public employment exchange to promote or accelerate the absorption of the men thrown out by those of us who are introducing labor-saving devices. I have known plants where men were thrown out of work in order to make a success of the operations, and there are no facilities making certain or making fairly easy their absorption into other industries.

Then, of course, we have got the other problem of cyclical unemployment. I suppose during 1921 the depression caused the country a loss of \$9,000,000,000. That is a guess, but there was a 15 per cent drop in the national income, which was \$60,000,000,000, so that the loss due to that depression can be estimated at \$9,000,000,000. Now, the individual business man can help in preventing excesses of those depressive periods by proper forecasting methods. Probably you will hear from some manufacturers on the subject. By proper forecasting methods they can prepare for those times by building up adequate reserves, have their sales force ready, and not too large inventories. I think in this respect we have improved greatly over 1921, and that sort of thing adopted by American industry will have its effect on the buying policy. I think it is a healthy thing. It may have gone too far, but I think it is a healthy thing.

By proper forecasting in individual businesses a good deal can be done to prepare individual businesses to meet a depressive period. On the other hand, I think it would be an excellent thing if the Government could lead the way in the direction of meeting the problem of mitigating these depressive periods by reserving a certain amount of public work for those periods. The great thing, the important thing, about the Government taking the lead in that direction, if they were ready to do a certain amount of construction during the time when we were threatened with depression, is that it would instill confidence in the business world; it would make construction at that time fashionable among other groups, and a gesture of this

character by the Federal Government would stimulate States and cities to do likewise. It wouldn't, of course, prevent depressions, but it would have a marked influence in mitigating their force. It is particularly important also because, I think, it would prevent too much public work in boom times, which is just as important, by cutting out public work in boom times. It would also be important in helping prevent subsequent depressions. So that, all in all, it seems to me that public works, if we are ingenious enough, could be a balancing force to flatten out the force of these waves of over-accentuated prosperity and successive depressive periods.

The CHAIRMAN. You spoke a while ago about setting up a reserve during prosperous times. Did you mean that to be used exclusively for the promotion of your own industry, or were those reserves anticipated to be used in a way to balance the income of the workers?

Mr. LEWISOHN. No; I wasn't going into the problem of unemployment compensation, which is a large problem, and almost a separate one in itself. I think that is a very healthy thing, but the most important thing, it seems to me, is to have the reserves so that you don't have unemployment. I think the healthiest thing, first, is the approach of unemployment as a problem that comes incidental to a lack of forethought in business.

The CHAIRMAN. Yes; but Mr. Dennison, in testifying yesterday, stated that they had created a fund during a period of eight years, and I think the maximum amount of the fund was some \$75,000, and that that was to be used anytime they were required to lay off men. In other words, they penalized themselves for having to lay off any of the help; and that in itself, of course, was naturally an incentive for not laying them off but keeping them in continuous employment. If I remember correctly he said they had only paid out one week's pay roll in all that period of time—eight years.

Mr. LEWISOHN. I think it would be an excellent thing if we could get employees to do that in a larger way. I was interested to know that one large insurance company—the Metropolitan Life—is ready to insure companies against unemployment.

Senator WALSH. What you mean by adequate reserves, then, is reserve business, rather than any fund, as Senator Couzens speaks of?

Mr. LEWISOHN. That is what I mean.

Senator WALSH. You mean that each employer should keep in reserve some business that he could bring forward and develop in times of depression, is that it?

Mr. LEWISOHN. Well, also that he should have funds in his treasury so that just at the time of depression he wouldn't be broke and have to shut down because of lack of working capital to pay his workmen. It quite often happens.

Senator WALSH. In times of boom, if they have adequate resources, so that they can carry on in times of depression for restoration of the business. In other words, they could accumulate a stock on hand, in reserve. That is your thought?

Mr. LEWISOHN. Financial resources.

Senator WALSH. And by these resources they could carry on their business at a temporary loss in anticipation of the reserve prosperity.

Mr. LEWISOHN. Yes. As a matter of fact, I think it has become more the custom among the larger companies to have much larger

reserves than has ever been the case before in the history of this country. We all do. They used to rely very much more upon bank loans. Now, they build up fairly large reserves. I think that is a very healthy tendency because it provides the possibility of manufacturing for stock during depressive periods.

The CHAIRMAN. Have you given any study or thought to unemployment insurance yourself?

Mr. LEWISOHN. I have given just a little thought to it. I don't think it is a problem that the American people are ready to handle in a public way yet. I am interested, however, to find that some of the larger insurance companies, at least one as I said—the Metropolitan Life—is ready, if it can get legislation to amend its charter, to insure companies that desire to pay a premium in order to pay unemployment bonuses in case their men are discharged because of lack of work, or perhaps thrown out for other reasons. This would be very useful, it seems to me, in times of depression when men are thrown out of work, because it would sustain the buying power of the public just at a time you want to sustain the buying power.

I know that insurance companies are writing billions of dollars worth of group life insurance. I am a director in the Equitable Life. I know it is billions these insurance companies write. It has only been built up in the comparatively last few years. It might be very useful to know that insurance companies would write group unemployment insurance, because it would be a balancing force in such a period. And also it would mitigate the horrors of unemployment for at least a fraction of the workers. I don't believe that all the companies would be willing to insure on that basis. My opinion, if you asked my opinion, would be that ultimately, far off perhaps, it is to be very carefully considered. We will have to get some method for State unemployment insurance, but that may be many, many years from now.

Senator WALSH. Have you made a study of what has been done in that direction in other countries?

Mr. LEWISOHN. I have studied some of the literature on the subject.

Senator WALSH. You stated a while ago that your company had a relatively small unemployment problem, that you were giving the workers practically continuous work.

Mr. LEWISOHN. Yes.

Senator WALSH. That refers to the copper industry?

Mr. LEWISOHN. To our copper business and to the acid business and fertilizer business.

Senator WALSH. Has that been generally true of the copper business throughout the country?

Mr. LEWISOHN. I think the metal mining industry is usually pretty stable.

Senator WALSH. How has it been with you the last few years in the copper business?

Mr. LEWISOHN. It has been fairly stable—year in and year out, of course. Of course, copper is something that can be sold continuously. The small mines, let us say, are shut down and those men are thrown out of work.

Senator WALSH. You mean they all carry the same number of employees, year in and year out?

Mr. LEWISOHN. Yes; practically. They may take on a few more or a few less.

Senator WALSH. We read so much in the financial papers about the copper business being dull, about copper not being mined, that you would naturally infer that there are periods of rise and fall in employment.

Mr. LEWISOHN. Of course, all the copper isn't mined in this country. Some copper is mined in Chile, South America.

Senator LOCHER. Wasn't there a tremendous slump immediately after the war?

Mr. LEWISOHN. Immediately after the war, yes. It threw a lot of men out of work.

The CHAIRMAN. Where are your copper mines?

Mr. LEWISOHN. Arizona and Tennessee.

The CHAIRMAN. Are they producing at a lower cost than other copper mines in the country?

Mr. LEWISOHN. No; they are what we call medium cost.

The CHAIRMAN. I was under the impression there was unemployment in the copper mines in Michigan.

Mr. LEWISOHN. Of course a lot of men are thrown out of work in Michigan because of competition. That means a shutting down of the mines because the cost is too high for the producers. I don't see how you could prevent it. We use, in the manufacture of fertilizer, large gangs of men, and we have introduced traveling cranes, and we provide adequate storage facilities, and have less seasonal unemployment because the men employed in that work are employed the year round.

Now, you have men thrown out of work just because you have improved your process. Federal employment offices seem to me to be necessary because men thrown out of work should be absorbed in other industries just at that time. In the mining industry we find at times we have to discharge a certain number of men in order to make the mines profitable. Or, again, take the industry, as I said, in Colorado, or in other States, where we have mines that have become exhausted, and, as a result, the men have to find other work. They have to be absorbed. So we have a certain amount of unemployment that can't be done away with, so there we have this problem of reabsorbing them into other businesses. It seems to me, particularly in seasonal unemployment, among business men it is largely a matter of making the business men conscious of the necessity of stability in their business, and that we ought to have a regularization movement. I really think you can get pretty far with that.

The CHAIRMAN. You would have no difficulty in arousing their conscience if they were the sufferers the same as the men out of work.

Mr. LEWISOHN. I think they are the sufferers, without being conscious of it.

The CHAIRMAN. But not in the sense that the worker suffers in not being able to provide adequate support for his family.

Mr. LEWISOHN. But they lose their profits.

The CHAIRMAN. You can lose your profits without sacrificing your home life; but it is different with the worker out of employment

going through a period of that kind. His suffering is physical as well as mental.

Mr. LEWISOHN. I am speaking of unemployment that occurs during the year in almost every industry. That may be done away with if the business men were ready to emphasize the problem sufficiently. I agree with you that it is very important, indeed, from the humanitarian point of view that you just mentioned, and I believe that it can be very largely mitigated at least if you could get the business men to become sufficiently interested.

The CHAIRMAN. I think that is all. Thank you very much for coming.

#### STATEMENT OF ERNEST G. DRAPER, TREASURER AND GENERAL MANAGER THE HILLS BROS. CO., NEW YORK CITY

The CHAIRMAN. Please give your name and occupation.

Mr. DRAPER. My name is Ernest G. Draper. I am treasurer and general manager of the Hills Bros. Co., New York.

The CHAIRMAN. What is their business?

Mr. DRAPER. Packers of food products.

The CHAIRMAN. How extensive is their business?

Mr. DRAPER. We do business amounting to seven or eight million dollars a year, in many countries of the world.

Senator WALSH. How many employees have you?

Mr. DRAPER. We have about 1,000 employees.

Senator WALSH. Doing what kind of work?

Mr. DRAPER. Packing food products, principally Dromedary dates. We have a packing station in Basrah, Mesopotamia, at the head of the Persian Gulf. The crop of dates that matures in September is packed in 70-pound boxes and then transported by steamer to a factory in Brooklyn, N. Y. There the dates are unpacked, cleaned, and sterilized and replaced in small cartons, in which form they are sold to the trade. Because of the nature of the crop it is inevitable that the raw material for a whole year's production must arrive at the Brooklyn factory from Mesopotamia between the months of October and January of each year.

As the greatest demand for dates is from September to January, it was customary in the old days to pack in a small way during the first part of the year and then to concentrate upon high-speed production during the last four months. This meant that the average working force during the first eight months of the year had to be expanded by about 600 per cent during the last four months. The wrench involved in expanding this force over night, so to speak, is apparent. For years the company struggled to keep up with the demand for its product, which became so insistent in the fall. In trying to meet this demand there was the temptation to lower the quality of packing and in other ways to encourage wasteful methods which are bound to creep in under forced-draft production.

Finally conditions became so critical that the executives determined upon a drastic change in policy. Their chemists told them that if, upon arrival, raw material was placed in cold storage until taken out to be packed, was packed in cartons and then replaced in

cold storage, it would keep indefinitely, providing the proper temperatures to be maintained were determined beforehand. Accordingly, the company erected a cold-storage warehouse adjoining its packing plant. It purchased raw material which would supply not only the fall demand but the following year's demand as well. In 1921 the new plan was tried, but only in an experimental way. The experiment proved successful. Dates packed in January were taken out of cold storage in September and found to be in perfect condition.

In the following year of 1922 a much larger quantity was packed during the off season and for the first time in six years the supply of Dromedary Dates during the fall rush season was equal to the demand. After this successful experience the company awoke to a realization of the great savings which could be effected by attacking the problem from a production standpoint. In the past, practically no attention has been paid to the kind of labor employed or its effectiveness during employment. The best way to meet such a situation was to establish a personnel department. This the company did, and procured the services of a college woman who had had some experience with department store employees.

One of the first needs which became apparent was that of additional lines during the off season for dates. The company has consistently tried to meet this problem by promoting several off-season products. While our success in this direction has not been spectacular, a glance at the records indicates that it has been considerable. It takes time to work out problems of this character, but that they can be worked out, now that we have a definite formula for more regular production, goes without saying.

We are staunch advocates of budgetary control. At the beginning of each year we budget every item of importance, whether it refers to sales, purchasing, or production, and then we try to rigidly keep within this budget. This method has eliminated waste to a remarkable degree and has undoubtedly increased our profits.

The facts will show that more stabilized production has brought about a higher quality of product, a more continuous working period for employees, and a general increase in smoothness of operation throughout all branches of the company. Our attitude toward broken employment has changed. We never decide upon a major shift in production without considering what this change will mean to our employees. This is not a sentimental attitude alone. It is an attitude that bears fruit in better morale and more profitable operation. To this extent it may be called a selfish attitude. It may be selfish, but at least it is enlightened selfishness which has regard for the social welfare as well as for the individual gain.

The reason I took the time, Mr. Chairman, to make that detailed statement of this company's successful efforts to stabilize employment was that so many business men seem to think that stabilization of employment is more or less a charitable affair; that it is good for society. But we aren't in business for charity; we are in business to make profits; and it seemed to me that by giving an example, an example of a comparatively small company, to be sure, but one that has tried to regularize its production and has succeeded, we can show that it not only is desirable from the standpoint of society but that it is also desirable from the standpoint of individual gain.

The CHAIRMAN. After you adopted that method, what was the difference in the roll, the employment of your men?

Mr. DRAPER. Our employment in the old days was about 200 employees for the first eight months of the year, then about 1,300 or 1,400 employees for the last four months. Our production is now on the basis of between 800 and 900 employees through the year. In other words, as I have already stated, instead of expanding overnight almost our number of employees about 600 per cent, we now work regularly between 800 and 1,000 employees right through the year.

The CHAIRMAN. Do you still expand some during those four months?

Mr. DRAPER. Yes; we have to expand some or contract some, depending on the amount of business that we get in. We will say, for instance, we expect to sell a certain number of cases of our product—we hope we will sell it, and that is based on a very careful forecast—of course, it fluctuates somewhat.

I have here a book entitled "The Regularization of Employment," and if it is in order I would like to give a copy of this book to each member of the committee, because it seems to me it contains a great deal of valuable information along the line of our discussion here. This chart indicates the time of our production and the number of our employees. This line indicates the volume of our sales and this line our production in the old days [referring to page 54 of said book]. Now, here are the sales, and this was our production, taken from our actual records. That was for the year 1921-22, but it has remained approximately the same.

The CHAIRMAN. When was that book written?

Mr. DRAPER. It was written in 1924.

The CHAIRMAN. Have you any idea of any legislation that might be undertaken which would be helpful?

Mr. DRAPER. I am not so enthusiastic about any definite legislation because I think that this, to some extent—in fact, to a great extent—is a problem for the business men themselves. I agree with Mr. Lewisohn that a great deal could be done by bolstering up the Federal employment service. It seems to me that industry ought to be glad to get its employees easier and quicker, and this I believe would also be of tremendous value to the employee himself.

Senator WALSH. I shall appreciate your sending me a copy of this book, and I am sure the rest of the committee would like to have copies. Will you mail them to us?

Mr. DRAPER. I will mail them to you; yes, sir.

The CHAIRMAN. Have you any information as to what became of those employees that you used the last four months of the year during the other eight months?

Mr. DRAPER. We haven't any definite information, but we do know that they were absorbed to some extent by the factories of the American Can Co., which were in our neighborhood, and by other plants somewhere near there, but we also know that a great many of them didn't get any employment at all and undoubtedly suffered as the result of this drastic swing.

I should also like to say in answer to your question as to whether I think any legislation would be desirable in this connection, that I

am very much in favor of the public works idea which has been expressed here for us.

Senator WALSH. The Jones bill?

Mr. DRAPER. The Jones bill, and others of that type, yes; because I think anything of that sort which will help smooth out the curve, this cyclical curve, or seasonal curve, is desirable. Mr. Lewisohn, I think, was supposed to spend more time on the cycles of industry, and that is why I am not attempting to say anything about that phase of the problem. I am more interested, more anxious, to present the view that the business men are, in my humble opinion, losing money by not making employment more regular. I believe, as I have already stated, such a plan benefits society and increases profits.

The CHAIRMAN. Did you read the proposal of the governors' conference at New Orleans? That proposal was supposed to be authorized by President-elect Hoover.

Mr. DRAPER. Yes, sir.

The CHAIRMAN. Did that appear to you to be a practicable plan?

Mr. DRAPER. So far as I can see it was more or less the putting into effect of some of the major stipulations of the Jones bill. I am not familiar with all details of it, but it seems to me that that was more or less—

Doctor LUBIN (interrupting). It doesn't bring in the question of the various States.

Mr. DRAPER. Yes; I think that is perfectly true. This is a problem that everybody has got to get behind. It can not be merely a problem—

Senator WALSH (interposing). Of the National Government without the State government.

Mr. DRAPER (continuing). That isn't supported by the rest of the communities. The States, cities, and towns must all do their share.

Senator WALSH. Have you made any study or given any thought to unemployment insurance?

Mr. DRAPER. I have, yes, sir; but I agree with Mr. Lewisohn that state unemployment insurance seems perhaps a little far in the distant future. In any event, it seems to me that it is more or less academic until we make production in our plants more regular. It is perfectly ridiculous to talk about giving insurance to individual employees—unemployment insurance—until you regularize your employment, because if you do it without making your employment regular you are liable to burst the company—break the company.

Senator WALSH. Why have business men been so slow, if I am correct in saying they have been so slow, in realizing if they don't regularize their production they are losing profits?

Mr. DRAPER. As I said before, business men seem to think of this as humanitarian, so to speak, something you do in a paternalistic way, and not anything that really affects the pocket. If they were going to make more money in undertaking these things they would be very quick in doing it, but I think business men are really to a great degree conservative minded, and they naturally don't like to engage in anything that looks like an experiment to them.

The CHAIRMAN. The general adoption of workmen's compensation due to accidents and other causes was brought about by the social demand for it, the demand of the people.

Mr. DRAPER. Yes; I think that is absolutely so, Senator.

The CHAIRMAN. You don't find any employers now opposed seriously to workmen's compensation, do you?

Mr. DRAPER. No.

The CHAIRMAN. Yet, in the final analysis, unemployment is just as serious for the workmen's families as workmen's compensation.

Mr. DRAPER. I think more so. I think the impetus came from the people themselves. I think, also, that what brought them around to it was the fact that they realized that they had to take good care of their employees or their morale would suffer; and good morale means good production, and good production means good goods. So that any problem of that sort, it seems to me, can be looked upon as enlightened selfishness, if you wish to call it that, or intelligence, because it means increased profits.

The CHAIRMAN. Perhaps the most effective way of accomplishing this stabilization of employment is to create a public demand for it; is that correct?

Mr. DRAPER. Yes; I am ready to agree with that, yes, sir, absolutely; because I think a great many business men will not study the problem unless they are forced to do so. I think that has been the history in other cases. Along that line I have a memorandum here which gives exactly that point of view. May I be permitted to read this?

The CHAIRMAN. Yes.

Mr. DRAPER. It is a brief memorandum [reading]:

1. Most intelligent persons will agree that the present mass production methods of American industry are sound and should be further developed.
2. One of the most important factors in such development is the economic well-being of the individual consumer.
3. The continued success of large-scale production, of quick turnover, and of installment buying hinges upon steady employment for the individual.
4. A man out of work is a drag upon his family, upon his community, and upon industry itself, which might have won him as a consumer if he had been working and therefore able to buy in normal volume.
5. Unemployment then is not only harmful from a social point of view. It is wasteful from a business point of view.
6. While endless discussion upon the problem of unemployment has taken place in the last 50 years, and various associations and periodicals have attempted to deal with certain aspects of it, no adequate machinery has ever been set up to attack the problem in an organized, nation-wide way. The field is practically virgin territory.
7. If several of the largest and most influential corporations of the country would cooperate to investigate and strive to cure this evil, they could do more in 5 years than a drifting policy could accomplish in 25 years.
8. The hazard of broken employment is intrinsically no more difficult to deal with than the hazard of industrial accidents. These have been reduced to manageable size since 1910 by safety engineering, workers' education, factory inspection, and the like.
9. The time for industry to help in solving the problem by regularizing its production and, in other ways, adopting far-seeing methods of production, is when the country is prosperous as at present instead of later when conditions may have changed. The time to act is now.

I have attempted to give there the viewpoint that we have been discussing, that workers are consumers as well as producers, and to increase the purchasing power of consumers is desirable not only for the worker himself but for industry and society as a whole.

Senator TYSON. I would like to ask Mr. Draper if he thinks it is possible to devise a method by which there could be unemployment insurance.

Mr. DRAPER. I think ultimately such a plan would be very desirable, but until you get your production more or less regularized it would be a very difficult thing, it seems to me, to embark upon compulsory State unemployment insurance. If we turn on and off the current of employment, as one automobile manufacturer possibly might do, we would be forced to pay such premiums that it would be disastrous. If, however, that manufacturer or any other would first regularize his production it would be a very feasible thing and a very easy thing, it seems to me, for him to take out unemployment insurance, or be forced to take out unemployment insurance.

Senator TYSON. Wouldn't it be better for unemployment purposes to take it out, the same as a man buys his own insurance for sick benefit? The reason the workmen's compensation laws have become general was that the manufacturer or person responsible for a worker's injury were compelled by law to compensate him. They were compelled to pay him. If he got hurt in your factory or mine through no fault on his part in the course of his employment, the jury was compelled to give him a verdict. But the verdicts were so irregular. I think the main reason we have the workmen's compensation laws so generally now was because the verdicts were so irregular. The compensation laws are so much better and more regular and uniform.

Senator WALSH. The witness illustrated by his own business the successful results he has had by stabilizing his own production. He argues that the first thing to do is to educate the producer to the importance of stabilizing production, before we consider insurance. Isn't that it?

Mr. DRAPER. That is my view of it.

Senator TYSON. Of the two, the buyer and the producer, the buyer is more responsible than the producer because the buyer will always buy if the producer will produce.

The CHAIRMAN. I don't agree with the Senator on that. In the early days of the motor-car industry, when we sold only open cars, we had to lay off thousands and thousands of men in the winter when the weather got cold. Of course, since closed cars have come into such general use, production and employment have become regular. Don't you think that the American business man, with the creative mind, by using his imagination and ingenuity, could regularize production so that there would be very little seasonal employment?

Mr. DRAPER. That is my view, absolutely.

Senator TYSON. I think something has got to be done about it.

The CHAIRMAN. The witness testified that they stabilized their business by providing enough storage facilities to take care of their goods until the market was ready for them.

Senator TYSON. You can pile up certain things. In the automobile business you can not pile up automobiles. You can put coal in storage and it will go the year round. You can pile up with some commodities and can't with others.

The CHAIRMAN. Does the witness have any more suggestions to offer the committee, or does Senator Tyson want to ask any questions?

Senator TYSON. You don't have any seasonal unemployment in the food-packing industry, do you?

Mr. DRAPER. Oh, yes. Practically 80 per cent of our dates are sold in the fall.

Senator TYSON. Do they eat them in the fall?

Mr. DRAPER. Yes; they eat them in the fall.

Senator TYSON. They don't eat them the year round?

Mr. DRAPER. There is a great peak that takes place in the early fall and winter; then it falls off.

Senator TYSON. That is, so far as the selling of your product is concerned; but don't people eat dates the year round?

Mr. DRAPER. No. Take the month of August, you will find it rather unsatisfactory because it is pretty heavy food in hot weather, and people don't seem to desire it.

Senator TYSON. How did you manage to stabilize your business. Don't you get the buyers to take the dates the year round?

Mr. DRAPER. No; we couldn't do very much with the buyers because the product won't keep very well. We put the product in a cold-storage warehouse and keep it scientifically.

Senator TYSON. In other words, you pile it up?

Mr. DRAPER. Yes, sir.

Senator TYSON. Now, dates are a staple article of food. They don't change in flavor or appearance. But if you manufactured something different, something that people had to have days before, you would find it a different proposition?

Mr. DRAPER. Oh, yes. As Senator Couzens intimated, it is a question of leadership in this matter of manufacturing for stock. Another man has another proposition, but he will answer it equally effectively if he applies his business acumen.

Senator TYSON. Those who have staple articles that don't change the year round, I can see how they can do it; but you take the man who is making a variety of things, he doesn't have as much chance. But there are a great many who manufacture what you call staples, and to that extent it would help employment.

The CHAIRMAN. If there are no further questions, the committee will adjourn until to-morrow morning at 10.30 o'clock.

(Whereupon, at 12 o'clock noon, the committee adjourned until to-morrow, Thursday, December 13, 1928, at 10.30 o'clock a. m.)

## UNEMPLOYMENT IN THE UNITED STATES

THURSDAY, DECEMBER 13, 1928

COMMITTEE ON EDUCATION AND LABOR,  
UNITED STATES SENATE,  
*Washington, D. C.*

The committee met, pursuant to adjournment, at 10.30 o'clock a. m., in the committee room, Senate Office Building, Senator James Couzens presiding.

Present: Senators Couzens (chairman), Tyson, and Walsh.

Also present: Dr. Isador Lubin, economist, Institute of Economics of the Brookings Institution, Washington, D. C., assisting the committee.

The CHAIRMAN. The committee will please come to order.

Mr. Hapgood, we would be glad to have you tell us what your experience has been and of your interest in the resolution on unemployment pending before the committee. Tell us in your own way.

### STATEMENT OF WILLIAM POWERS HAPGOOD, PRESIDENT COLUMBIA CONSERVE CO., INDIANAPOLIS, IND.

Mr. HAPGOOD. Might I tell you in the beginning that I had my first experience in the canning business of the Franklin, Crane Co., wholesale grocers, in Chicago. Shortly after I began my employment with them they put me in charge of a small food-manufacturing plant in connection with the grocery business. I remained with them until 1903, when I went down to Indianapolis, and, with my father, took a controlling interest in a food plant there, called the Mullen, Blackledge Co., which was changed at that time to the Columbia Conserve Co. I became president of the company; am still with it, and it is still operating under that name.

In the beginning it manufactured a small line of food products—catsup, pork and beans, and some country products. The business was highly seasonal, as most food-packing establishments are. In March, 1917, we took the first steps in the change toward regularization of employment. At that time about 5 per cent of our workers were on what we call "salary," which meant that they were paid by the week and retained indefinitely, pending good behavior. The balance were on "wages," which with us generally meant payment by the hour, and only for the hours worked, with no protection. But in March, 1917, partly with the consent of my brother Norman, and partly independent of him, I thought that the time had arrived when we ought to make as the first principle of our business the abolition

of irregular employment. Up to that time my purpose had been that instead of stressing for regularity of employment we should follow the practice usually followed in the industry—to stress for the lowest possible pay roll.

During several years preceding 1917 my philosophy still was that the stress of our establishment at least should be not toward reducing the pay roll whenever that could be done without affecting our establishment or sales. It should rather be toward the contrary direction—stressed toward retaining people to the very limit of our ability. So we made a radical change in our philosophy and in 1917 we took off the wage basis and put on the salary basis a considerable portion of our employees. I can't remember what the percentage was, but I am quite sure that it would at that time have increased the proportion the salary people bore to the wage people from 20 to 140. I won't follow the details of the steps taken in that respect in the succeeding years, but will bring you down immediately to date. In this present year, in the first eight months of the year, 97 per cent of our workers were on salary, and 3 per cent on wages, as against 10 years ago, when 5 per cent were on salary, and 95 per cent on wages.

The CHAIRMAN. Now, when you say they are on salary, does that mean continuous employment throughout the year?

Mr. HARGOOD. Yes; continuous employment throughout the year, quite irrespective of exigencies, such as retrogression of business or sales inactivity.

Now, I want to make this exception, that we have a peak load during the month of September, a very tremendous peak load, when we handle tomato products during a period of six weeks sufficient to last us 12 months. And when I speak of a change in the situation this year, the first six months of this year, by which 97 per cent were on salary, and 3 per cent on wages, I am not speaking of the three weeks during the peak load this year. I will give you those figures—I have them down here somewhere. In 1917 we had 5 people on salary, as opposed to 90 people on wages, during the first eight months of the year. In 1928 we had 97 people on salary during the first eight months, and 3 people on wages.

The CHAIRMAN. In other words, your total number of employees was 100.

Mr. HARGOOD. Yes; during what we call our regular period, which means 12 months in the year, less six weeks during the peak load. What I am trying to make clear to you now is the relation between the two peaks as far as salaried people compared with wage workers are concerned.

In 1916, at which time our turnover was about as it has been this year, but caused largely by the war situation, when we entered the peak, or when we were in the peak, rather, we had 5 salaried workers—the same number as when we began the year, and had a total force of 150 workers. In other words, a total of 145 workers on wages. The fall peak just past, we had 97 salaried workers during the peak and 130 altogether.

Now, to repeat that, considering the two situations, the fairly normal though variable load that occurs during 46 weeks in the year, before the planning began we had 5 protected workers, 50 not; to

date, 97 protected workers, 3 not; until we entered the peak. In 1916 we had 5 protected workers, 147 not. I am trying to make clear to you the two situations with which we are dealing—one a 46-week period, the other a 6-week period. I am trying to explain that by saying that in the canning business we handle a highly perishable commodity during our extreme peak.

The CHAIRMAN. Has this change in the conditions made any difference in relation to your earnings?

Mr. HARGOOD. Our earnings have been very much greater since 1917 than before. As a matter of fact, preceding 1916 our business was extremely uncertain as to its earnings. Beginning with 1917 our earnings jumped up. Following—I can't say definitely on account of this change in plan—our earnings increased, and only once during the decade following did we not make a satisfactory profit.

In 1921 we lost very heavily, but that was due to a swollen inventory. You remember about it—certainly about what happened then. We went into 1921 with a very heavy food inventory, when prices dropped off, and we lost about 25 per cent of our capital stock. We got most of it back in 1922. Even in that period in 1921, when this system that I speak of had been in operation for four years, we didn't release any of our protected workers.

The CHAIRMAN. Of that increase in profits, or at least the satisfactory profits since that time, have you any idea what percentage is attributable to an increase in business and what is attributable to more efficiency in stabilization of employment?

Mr. HARGOOD. Not very much was attributable to increase in business. Some would be attributable to increase in business—I don't remember the percentage—but as much as 25 per cent in 1917 as compared to 1916. Following 1917 we had years in which our turnover was not any greater than in 1916, and we made a good deal more money. In other years, as in 1925, for example, with a business not as great as 1917, we made a great deal more money.

Now, in the year in which we are now, we seem to have struck a new situation with regard to sales progress and our earnings these next 12 months—the next 6 months, including the last 6, are going to be altogether the largest we have had.

Senator TYSON. What is the name of your company?

Mr. HARGOOD. Columbia Conserve Co. Would you care to have me go on, Senator?

The CHAIRMAN. Yes; I would be very glad to have you go on.

Mr. HARGOOD. Because of this protective feature there isn't any question in my mind as to the effect upon the morale of our employees.

Senator TYSON. What protective feature are you speaking of?

Mr. HARGOOD. Full-time employment. We don't speak of it as unemployment, but rather as employment.

Our aim the last 10 years has been to protect our workers by the year. Most of our workers now are on salary, by which we mean that the individual worker gets his weekly income, irrespective of any difficulties that may arise, not only inactivity of business, but sickness on his part; and there is no subtraction made from the total number of our workers from any cause whatever.

Senator TYSON. What business are you in?

Mr. HARGOOD. The food-canning business, of which the chief item is canned soup. It is highly seasonal.

I repeat that our effort has been in a measure successful to place everyone within the protected list after he has served with us six or eight months, after we have come to the conclusion that he is a satisfactory worker. Then we put him on our salaried list, which means what I just said. We will not then discharge him because of inactivity of business. We will carry him through any depression that comes. We did that in 1921, when business was very much depressed and had a very heavy loss.

Now, I said before you came in, Senator Tyson, that in 1921, having followed this policy to a considerable measure for four years, beginning in 1917, we recouped in 1922 almost all our losses of 1921, of \$75,000, which losses were occasioned in large measure, if not almost entirely, by depreciation of the inventory. My conclusion, although this is an imponderable thing, why we recouped in 1922 our losses of 1921, was because of the morale we built up in our organization. There were really other protective features that entered into it, such as I have testified, in relation to sickness. We at that time took the position that I just described, that even in case of illness no person on salary would have his salary cut.

Senator TYSON. Do you have insurance against that?

Mr. HARGOOD. No; all these charges are made directly against the pay roll. We haven't built up any insurance fund to take care of that. We haven't thought it necessary. I still doubt the necessity of it. The time may come when we feel it is advisable to take care of periods of depression, but we went through the most serious depression the food business has been in in 1921 and carried through (without a reserve). It is true we lost money heavily then, but most of it we lost because of the depreciated inventory and not because of carrying people not active on—

Senator TYSON (interrupting). How do you manage to determine whether or not a man is sick enough not to work? Do you have him examined, or do you just take his own statement?

Mr. HARGOOD. If any one employee feels that a man is simulating illness he will bring his thoughts or belief before the governing body, which consists now almost entirely of the workers, but we have very little deception, I think. They have come in when they were not in condition to work, although they know that they won't be penalized, so far as their income is concerned. They are just playing the game a little different way than an ordinary person would play it.

Senator TYSON. How many employees do you have?

Mr. HARGOOD. We have now about 140 employees. The number is growing quite rapidly now, as our business is growing. Our main economic problem has not been keeping our workers, it has been with our sales—breaking through. I think one of the most difficult pieces of business any concern in the United States has met with has been that which we have had to meet with our competitor, the Campbell Soup Co. I don't know of any concern that more completely dominates the market than the Campbell Soup Co. does to-day, and this dominance is due to an enormous advertising campaign. Three years ago I think the advertising records show that he spent more money than any company in the United States on advertising. This situation has been an extremely difficult one for us to meet. We seem now to be breaking through the hypnotism caused by this enor-

mous advertising campaign, and, consequently, our business grew over 50 per cent this last 6 months, and we figure that in the next decade we will have perhaps a thousand employees. The assumption is that our sales will be adequately large enough to make that possible. I think it is possible, in fact, probable, that this will come to pass mainly because of the effect on our employees of the various measures we put into being looking toward their protection during periods of adversity over which they have no control, and also because of stimulating their intelligence.

The CHAIRMAN. Have you any knowledge of the Campbell Soup Co.'s employment policy?

Mr. HARGOOD. Only in a general way. I think its main policy is that used by most canners, or in most businesses—keeping the pay roll as low as possible, rather than as large as possible. Our business has shown 150 per cent increase, and instead of stressing the lowest possible pay roll, we stress the highest possible pay roll.

Senator WALSH. Do you work by piece, or do you work on salary?

Mr. HARGOOD. Our employees work on salary. We don't work by piece, even with our wageworkers, not protected.

Three years ago we decided to guarantee our wageworkers 50 hours a week.

The CHAIRMAN. What is the regular time that you do work? Is that your regular time—50 hours a week?

Mr. HARGOOD. No, our regular time is 9 hours a day, 5 days a week.

There was some hesitation about it at first, but the good effect of the results of the first 4 months upon our employees was so satisfactory that we decided to continue guaranteeing our wageworkers 50 hours a week.

The CHAIRMAN. You say 5 days a week, 9 hours a day?

Mr. HARGOOD. Yes.

The CHAIRMAN. Does a worker get the same pay for 5 days that he gets for 6 days?

Mr. HARGOOD. Yes. He gets the same pay anyway, Senator.

We are now admitting the new worker into the general protective system—to the same protection. We are now guaranteeing a worker 50 hours a week.

It is customary with us when a local holiday comes on Tuesday or Thursday, to shut down on Monday or Friday. But when that happens not only salary workers get their full pay, but the wageworkers gets the full 50 hours.

Senator TYSON. Why do you give 50 hours when they only work 45?

Mr. HARGOOD. When we reduced the length of the week for the salaried worker we said we will not pay any wage worker for less than 50 hours a week, irrespective of what he works during the day, unless he just loaf. Now, the time may come when we will raise our wage rate and then be on the basis of 45 hours.

Senator TYSON. You think it is a good thing, then, to reduce the hours, do you?

Mr. HARGOOD. Very much so.

Senator TYSON. What effect would a reduction in hours have, taking it by and large, on unemployment? Suppose the country

went on an 8-hour day in all manufacturing plants, what effect would that have on unemployment?

Mr. HARGOOD. That is too difficult a question for me to answer. I will say this: That if the workers' morale were affected, as ours has been affected, by reduction in hours, a short time after the reduction was made it might not increase the output any, and if it didn't increase the output, then I don't think that it would increase unemployment any.

Senator TYSON. If it didn't increase the output?

Mr. HARGOOD. If it didn't increase the output.

Senator TYSON. You think the decreased output would decrease employment, do you?

Mr. HARGOOD. Because of the lesser number of hours. It seems to me that the output of commodities generally throughout the country would decrease by the decreased number of hours. Then, obviously, in order to hold the present output of commodities we would have to increase the number of workers.

Senator TYSON. Exactly.

Mr. HARGOOD. Now, what I am trying to say is that the decrease in our hours doesn't necessarily decrease the output.

Senator TYSON. But that would not be true where you had a machine, and that machine were to produce a certain number of pounds. If you lose hours, you lose production, because a machine has a certain fixed production for a given time.

Mr. HARGOOD. Now, Senator Couzens, you have asked me some questions in your letter: "How irregular was employment in your plants before you attempted to stabilize it?" and "By what means did you undertake to provide steady employment?"

Rather naturally when we assumed this responsibility for full-time payment to our employees, or the major number of them, we cast about for new methods of keeping ourselves busy, not by pounding sand into rat holes, so to speak. One of them was a change in policy, doing important repair and clean-up work, which we had done before during periods of activity, and throwing that kind of work into periods of the valley load. There have been times during the last 10 years when the plant has been shut down and all the employees have been used to clean up shop—painting, doing various repair work, and so on. You may be interested to know that at times we have turned some of our more active and younger women into painters, painting walls of the building. They may not be very good painters, but they are perfectly satisfactory for work on the interior of the building. If you were in our shop, you would see 10 good mechanics not working in the machine shop at all, but working in the kitchen labor room, working at work not as completely adapted to them, such as running a lathe or doing mechanical work, but fitting in when the machine department wasn't active. Almost all of our employees are trained to do more than one job. We haven't been training our women into good mechanics yet, but we have been training our men so that they can do a large variety of work.

The CHAIRMAN. Some of the witnesses we have had here testified that they had, in an effort to secure regularization of employment, thought of new things to do in the way of manufacturing merchandise which would offset the peak of the seasonal business.

Mr. HARGOOD. We have done that. I will come to that in a moment.

I have spoken of the training of our employees to do more than one kind of work—repair work, clean-up work, and so on. Our valley load always occurs sometime around about the month of June—and we entered this system in 1917—and June came about, we then changed our vacation program. Before that time only the major employees were given vacations on pay. The others took vacations, or lay offs, rather, at their own cost. In 1917 we began a new system by giving no less than one week's vacation to every salaried employee. That was gradually extended until 1921, when we got into the depression, we extended our vacation period to three weeks, and in some instances to four. Now, that is one way of filling up the valley for manual workers. I have filled it in the past by going out and playing golf. We have carried it through now to every salaried employee. During the month of June, sometimes overlapping into the month of July, the whole valley load go on vacations, except a few people, and those few go on vacation later. That isn't the usual way of the ordinary business man. That leads me to say this—that our approach, or our consideration of the average worker in our business is now the same as it is of the exceptional worker in its various protective features.

Senator TYSON. Mr. Hargood, it seems that good workers, as a rule, have jobs anyway. It is the man who is more or less shiftless and not as steady as others that you have to look to. You happen to select your people with good care. They would get jobs anyway. As I see this, there are still a great many people in this country going from pillar to post that are, perhaps, not very healthy, not very strong, that lose their jobs. They are the ones that are laid off. Of course, your plant is comparatively small. You can select them with care. What we have to do is to find some means of taking care of these people who have to be helped, the ones that need help the most. They have got to be helped. I would like to ask you a few questions.

Have you any idea what could be done to reduce this general unemployment? Is there any way of having insurance against unemployment, like insurance against sickness, for instance, or something like that? It seems to me if something of that kind were worked out, where a man paid insurance against his own unemployment, in the long run he would insure it if it could be done. Because in that way he would be penalizing himself by paying insurance premiums for himself when he could not be employed. Like the workmen's compensation, they don't give a man as much as he would get by actual employment or working, but it keeps him always spurred up with the idea of getting well and getting back to the point where he could make his full wage.

Mr. HARGOOD. Now, Senator, you covered several points there. I will answer them in order. One was the question if I did not think that capable employees may at all times, or possibly at all times, be employed.

Senator TYSON. Not at all times, but generally.

Mr. HARGOOD. Approximately at all times. That unemployment, therefore, falls mostly upon the least-fitted people. I want to tell

you my experience in our own business. You are not correct in your surmise that the success of our business has been because we have been very careful in the selection of our employees. As a matter of fact, the canning business up to date, and certainly with us up to a few years ago, employed as poor a class of labor as any business in the country, and the reason for that was that the business was so highly seasonal. In 1917 we didn't make any selections out of the plant. We have hired them at the door since 1916, paying them as weekly workers. They were more or less the flotsam and jetsam of the city of Indianapolis. We put them on as weekly workers. We have made selections and taken the best from that flotsam and jetsam, yes; but at no time during this entire experience, now drawing toward the close of the twelfth year, have we gone out in the open market or advertised so as to bring us exceptional employees. We have some college men and women who would like to come into our plant for social reasons. We have taken several of these people into our organization, particularly persons who have a psychological interest in the problem of human relations. In my judgment, we have been dealing with a class of workers lower in average education than most other industries.

I will make a comparison with the coal industry. It happens I know the coal industry through my son Powers. Since he graduated from Harvard in 1921, through his experience and training as a coal miner, as an actual coal miner, actually digging coal himself, I have come in contact with coal miners. I came in contact with coal miners in the strike of 1922 in Somerset County, where he was active as a trade-unionist. It is my firm belief that these coal men averaged much higher in intelligence than most of our people in 1917. Many of them are active to-day. We have some coal miners in our employ to-day. We have taken four from the coal fields of Pennsylvania during the last several years, paid their expenses to Indianapolis, and transported their families there, putting them on the pay roll. I am free to admit that these four miners are better than the average coal miner, and far better than the people whom we could get to-day.

No; it is not my belief—I repeat that the success, whatever success we have achieved in affecting the morale of our employees and the prosperity of our business, has not been caused by the selection of employees; it was caused by the system. I don't mean to go so far as to say that the difference in the system will change the morale of a moron into a person who is as good as the ordinary worker. I do mean to say this—given a normal man, not the man made abnormal by adversities from childhood on, but a normal man, under the system we have devised, we will make an unusual worker of him. We haven't gone outside for technicians during the whole period. When this plan went into effect in 1917 we had two technicians in our business. Every technician in our business since has been trained in the rank and file inside of our business. But our balance sheet will show, in my judgment, large advantages because of the environment.

I can't help but agree in one direction you are correct, that unemployment tends to fall upon the least capable people.

Senator TYSON. That is it.

Mr. HARGOOD. But what makes these people? What is the factor that contributes mostly to the lack of ability of the worker? It is unemployment. It is because of unemployment, almost chronic unemployment, that there are several million people in the United States who do not get work, and whose morale is deeply affected by that fact itself. It is constantly occurring in my experience in our own plant, as I study the situation. I repeat, the effect of unemployment upon a very ordinary group of people is demoralizing. I was the only person in the employ of the business with a college education. We had one person only who had gone through high school. The average of our employees in 1917 was less than the fourth grade. Now, in spite of that, or coincident with it, we went ahead with this system. Our organization, small, fairly well known nationally, has as its end the making of profits, but it is attempting to cope with the factors in industrial life which affect the life of our citizens. I repeat that it is my belief that one of the chief causes of a poor workman is irregular employment.

Senator TYSON. In other words, the mere fact that he is continuously unemployed accentuates his weakness.

Mr. HARGOOD. Sure.

Senator TYSON. And makes him a less efficient worker.

Mr. HARGOOD. Yes.

Senator TYSON. In other words, if a man shows the slightest weakness or incompetency, irregular employment accentuates that and makes him worse and worse.

Mr. HARGOOD. Exactly.

Senator TYSON. If industry would encourage him to improve instead of laying him off, that wouldn't be accentuated. I think you are right about that. At the same time you have to admit that you would have to take away some that are not efficient. What we have to do is to get something for those to do who are out of employment.

The CHAIRMAN. I didn't understand that he did throw some out of employment.

Mr. HARGOOD. I said this, we didn't put any of the original group out because they were inefficient. But as we have gone through, and added to our force, we have gone through the selective process, not a very selective process, but in a group of 45 or 40 applicants for jobs, out of those we selected a half dozen, possibly 10 or 15. That is to a degree a selective process, not a highly selective process, to be sure. If we had gone through an altogether more selective process than that, and brought in workers from other industries who were well trained and fitted, then this experience of ours wouldn't have been as convincing to me.

Senator TYSON. I understand that. I agree with you that your good treatment of your employees in making their interests your own has been due to your good management, but at the same time we have a lot of people unemployed. What I want to know is if you have any remedy to suggest as to what we are going to do with these people who are unemployed for whatever reasons.

Mr. HARGOOD. I am glad to attempt to answer that. Senator Couzens, in your letter you have asked me, "To what extent can similar measures be applied to other plants and other industries?"

It is my belief that if a small canning plant like the Columbia Conserve Co. can successfully protect its employees, or most of them, and remain in business, that there are thousands of other plants that can do the same thing. This is a mere guess, nothing more than a guess on my part—that if some of the big industries in the country were to take the position that their chief reason for being in business was regularity of employment, full-time employment, rather than for some other reason—if they kept their employees the way we keep ours, then the number of unemployed would be vastly reduced.

Now, it is obvious that there are hundreds of small plants that can't very much affect the unemployment situation by the plans we put into effect, but I repeat, that if we can do it, a weak company, I can't see why the United States Steel Corporation can't do it, or automobile companies can't do it. In the matter of size we are insignificant, dealing in a business of highly seasonal products. In spite of those two things, we have carried out this plan with profit to ourselves and have benefited the workers.

Senator WALSH. I understand that in 1921 you had poor business, but in the interest of your employees you kept your plant running, manufactured goods just the same, and took a chance on losing.

Mr. HARGOOD. During that depression we did not manufacture goods, but we used the employees for other purposes—repair work, clean-up work, vacations, and reduced the number of hours from a 60-hour week down to a 50-hour week. We did various things to keep them active, but we didn't have them actually producing goods.

Senator WALSH. Did you give them a 50-hour week at the 60-hour pay?

Mr. HARGOOD. The same man gets the same pay whether he works 10 hours a week or nothing at all. We make no reduction whatever in the major portion of our force for any purpose except for bad conduct; except in the group meeting when the committee decides that some person should be penalized. That never happens.

Senator WALSH. During this period of 1921 I understand you continued your pay roll just as if you were passing through a prosperous year?

Mr. HARGOOD. Yes; we did that. We have done that ever since we started in on this plan in 1917. That kind of system has returned in some measure the equivalent on the part of the employees.

Senator TYSON. In other words, he has been willing to do all he can for you when he got the opportunity?

Mr. HARGOOD. Yes.

Now, beginning two years ago, we had reached the point in our development where we could begin more closely to foretell the trend of our sales. Then we undertook what they usually call "stabilization." Now, instead of working almost directly on orders we will anticipate our August business in January, and when we get into the next month we will not only manufacture food products for sale during the immediate days following, but we will also begin manufacturing a surplus to take care of our August requirements.

Senator TYSON. In other words, you will pile up during the time your orders aren't heavy, to take care of the time coming, and so on?

Mr. HARGOOD. Yes.

Senator TYSON. In that way you will reduce the cost in the long run so that you can sell at a low price?

Mr. HARGOOD. Our cost is coming down because we anticipate the orders and pile up, as you say, and because of the efficiency of our employees.

Senator TYSON. You haven't answered my question about insurance.

Mr. HARGOOD. We don't carry insurance.

Senator TYSON. Wouldn't it be a good idea to have unemployment insurance which the employees themselves carry?

The CHAIRMAN. In other words, penalize the employee for the incompetency of the manager?

Senator TYSON. Not at all. There are many people, and we haven't gotten to the point where we can consume all that you can manufacture if you were manufacturing efficiently.

The CHAIRMAN. But isn't it up to the initiative of the industry, the captains of industry, to stabilize this thing, because of the natural weakness of the employees in doing anything in an organization way? In other words, with the motor car business, when they were building only open cars, the cars could only be operated in hot weather, and the employees were laid off all winter because of the fact that they didn't have the ability or imagination to build closed cars. Then the employee must be the sufferer and lay out of work all winter because we didn't try to stabilize the business.

Senator TYSON. Mr. Chairman, I agree with you we ought to do everything we can to stabilize the business that way, but even if you have every plant in the country doing its best to stabilize you will still have unemployment. My idea is to agree with you that we should do that, but then I think you will still have a large amount of unemployment, because, according to Mr. Hargood's own statement, you have got to produce more and take care of what you produce, or you can't continue to run. Now, my idea is if you had something like insurance against unemployment, which the employee himself pays, just like he would pay for his health insurance, because every employee has to pay for his health insurance, every employee has got to pay for his life insurance, it would be an incentive to keep an employee on the job. If everybody would do as Mr. Hargood is doing, I think you would have a lot of good employees, but it is possible you will make every employee a good one, and I hope you do, but at the same time I think a large number of people would still be shiftless and inefficient, and ought to have some help. There ought to be some method, some plan, whereby they wouldn't be in a starving process, where they ought to have one-third, or one-fourth, or something to keep them going until they got a job.

Mr. HARGOOD. My experience is that you don't make people efficient by imposing a penalty on them.

Senator TYSON. I see no penalty in a man paying insurance premiums against unemployment.

Mr. HARGOOD. Society ought to undertake to employ every man who is out of employment. A man that has no voice in the management of the business is certainly not responsible for his unemployment. I will admit for the purpose of our discussion here I don't want to try to consider the man who doesn't want to work, and certainly the educational problem with respect to him is difficult. I

feel I am not capable of handling it. My experience does give me some competency in discussing who is responsible for the major unemployment, and I think it is society at large.

Therefore, feeling that way about it, while I agree with you that, for a time, at any rate, I would prefer that each establishment take upon itself its own insurance, in order to stimulate or accelerate the time when all employees who want employment will be protected, I don't believe in having the employee contribute. I think the burden should be placed squarely upon the employer, and those who feel they must employ workers for a period of a few weeks, or a few months, should pay a tax for such people, and thus encourage employers in all parts of the country to reduce unemployment to a minimum.

Now, so far as we are concerned, we would very cheerfully pay a tax to the State or Federal Government for those people whom we employ only a few weeks in the year. Why shouldn't we?

Senator TYSON. For everyone you have in your plant; that is all right. But there are people coming on all the time—a million population coming into this country every year, either by natural growth or by immigration. If there are not enough plants to take care of all the people who want employment, who is going to employ those who can't get a job? Assuming that you are taking care of 150 people, suppose somebody wants to get a job at your plant, 50 or more at some other plant, who is going to take care of them?

Mr. HAPGOOD. It seems to me that we have to take care of them—take care almost of indefinite millions that may come both by birth and by immigration. What we need to solve is the problem of bringing about the development of a system by means of which those who wish to consume goods may be permitted to consume them, and by means of which people can secure the income with which to consume the commodity.

Senator TYSON. That is the point. I realize all that; but I haven't seen any way we can fix it so that we can get it. If every plant in the country were to continue to give employment to everybody that can produce, we would soon get to the point where we should have more goods than we could sell, and I think there would be three or four million people out of employment. We have to have shorter hours. If we are to keep taking people into our industry and keep them employed, we shall have to employ them for shorter periods each day.

Senator WALSH. We have overproduction now.

Senator TYSON. We have overproduction now. Due to efficient management. If we employed all the people, available production would be so much greater than it now is that there would be a glut on the market in every line of endeavor. My idea is to see if we can take care of this surplus unemployment that we now have. Some people don't agree with me, but I believe if we had 70 hours of work a week, as we had several generations ago, and people worked every day, with the present modern machinery we would have 10,000,000 out of work instead of 4,000,000, because with the machine process individuals have become much more efficient than they ever were before.

But I think that is one theory. I think that is a fine idea to try to get every management to find some ways of taking care of their own people, of keeping them constantly employed. But even with that, in my opinion, we will have large unemployment still, because there are no jobs to be had.

The CHAIRMAN. The great problem, as I understand it, at the time this resolution was introduced in the Senate, was the number of men who were laid off. We had two different problems: (1) The man who might be seeking his first job, and (2) this problem of laying off a man who has already got a job. I absolutely agree with Mr. Hapgood that the worker should not be in a position of having to worry about being laid off. If we can do anything to try to prevent people being laid off because of the cycles in business, we should do so.

Senator TYSON. But the man out of employment is just as badly off as the man who has a temporary job. The man I am interested in is the poor man who can't get a job. Now, you take England, why, when a man is born in England his parents begin to think where he is going to get a job. "Where are you going to find a place to put him?" And from the time he is born until placed on a job when he is about 18 or 20 years of age it is a matter of concern and anxiety to his parents. That is the position we are going to be in in this country. With the growing efficiency of the people themselves, and the efficiency of the machine, it seems to me that unless we get much greater consumption capacity, we are going to have increased unemployment. That is the problem as I see it, more, even, than the one you are speaking of.

Mr. HAPGOOD. In the main, isn't the lack of consumptive power due to the lack of income, and isn't the lack of income due to lack of employment?

Senator TYSON. That is true. I see what you are doing. I am not trying to antagonize your position. I think you are only one—

Mr. HAPGOOD (interrupting). I think I agree with you there.

Senator TYSON. What I am trying to do is to see if you have any suggestion as to how to take care of the additional evils we are up against.

Mr. HAPGOOD. I agree with you in the direction of what we want to accomplish. We might not entirely agree with regard to the method. I suggest that we put into effect a method by which the employer would be penalized for short-time work on the part of his employees. That would then cause him to do, in a measure, at any rate, what we have done voluntarily. We have forced ourselves to do it, because of what I might be pleased to call a social interest.

Up to date our social conscience hasn't been effective in industrial relations, and may not be effective for several years to come. If that isn't very effective, I suggest that the employee not be penalized for something over which he has no control, but the concern itself, the employer, pay a tax penalty to the State. How much that will benefit, I don't know. It is obvious that if you charge the employer a considerable penalty for giving his employees steady employment for 10 weeks instead of six months, he will do his best to see to it that his workers are steadily employed for six months.

Senator TYSON. You mean that as a penalty to be imposed under the law?

Mr. HARGOOD. A tax upon him. I am not talking now about the legality of it. I am not the one to give birth to that one idea; I think John R. Commons gave birth to it in the State of Wisconsin.

The CHAIRMAN. I remember in the fall of 1920 that there were 175,000 men laid off almost overnight in Detroit. While there was no law to penalize the employers who laid off these men, the employers were nevertheless penalized because we immediately spent \$3,000,000 to take care of the unemployed, and that \$3,000,000 was paid for by the taxpayers.

Mr. HARGOOD. We are doing it in a less desirable form.

Senator TYSON. You couldn't get anything of that kind through Congress. When you come to that you are just running up against a proposition that is simply absurd.

Mr. HARGOOD. Senator, didn't we get through many State legislatures a penalty for accidents, through insurance?

Senator TYSON. That is all right. That was due to the employer's fault in not having proper safeguards about his machinery. That has been the law for 50 years. If an employer is responsible for an injury to an employee he ought to pay for it.

Mr. HARGOOD. But isn't an employer equally responsible for lack of employment?

Senator TYSON. Not something which he can not overcome.

Mr. HARGOOD. Years ago, when compensation was not discussed, we said, "I can't help it if a man falls into a machine." Society came in and said, "If you can't help it, we have to pay the cost."

Senator TYSON. But people will have to go out of business, and there will be less employment than even before. It is a wholly impracticable business.

Mr. HARGOOD. Aren't a lot of people being forced out of business because of the great expense of accidents?

Senator TYSON. No; not very many. A man may have to shut down his plant because he may go broke if you penalize him for not giving regular employment. It is very hard to make money as it is. If an employer is to be penalized when he can't afford to keep his workers employed, he will soon be out of business.

Mr. HARGOOD. Senator Couzens says business does pay for it in the long run.

Senator TYSON. That particular plant doesn't have to pay it all. There is a difference between that. A company can pay almost anything, but individuals can't.

Mr. HARGOOD. A group of individuals who are taxed to pay for social responsibilities—

Senator TYSON (interrupting). It is just like an insurance company. You can have many people die and everybody in the United States helps to pay the insurance policies, but if you had a few men pay it you couldn't afford it.

The CHAIRMAN. I don't think that your analogy is a correct one. There are about 250,000 income-tax payers in the United States out of 120,000,000 people. I don't assume that the money that goes to pay for the maintenance of the unemployed comes entirely out of the income-tax payers of the United States. Some of the money paid out by

these taxpayers is gotten back through industry. That is the medium through which it passes. They aren't really all taxpayers. The fact that the Santa Fe pays hundreds of thousands of dollars in taxes doesn't mean that the Santa Fe Railroad stockholders pay this amount. It is, in fact, paid by the consumers of the service rendered by the railroad. As a matter of fact, that money comes back. Everybody pays, whether they pay it directly or indirectly. However, Mr. Hargood, we are not the witnesses.

Senator WALSH. Have you given any consideration or study or thought to the old-age aspect of the unemployment question?

Mr. HARGOOD. Yes; a good deal. I am heartily in accord with any legislation that will pay old-age pensions.

Senator WALSH. Do you think that phase of it—the discharging of old employees by employers—can be reached by an extension of the workmen's compensation laws?

Mr. HARGOOD. I am not posted as a lawyer. I don't know what legal obstacles can be found, but it seems to me that we must protect a superannuated worker whether we consider him superannuated at the age of 50 or 60 years. We must protect him the balance of his life. We have an old-age pension in our organization now.

The CHAIRMAN. What is the age limit?

Mr. HARGOOD. No age at all. If in the judgment of the group an individual is considered no longer physically fit for work, we no longer ask him to work. We believe in keeping them employed if they want to work, if physically capable, even if they work only a few hours a day.

Now, to be specific about this, I have two cases in mind: One of them had been with us 10 years—a dozen years, I think. Finally he was moved from one place to another, but his income was not decreased when he became unimportant—he couldn't even be a janitor. We paid his compensation up to the amount he got on salary—up to that amount. Whether we pay him the full amount depends on what outside income he has—whether he needs it. To make that clear: A single man had been getting \$24 a week from us. He became unable to work. He had an income of about \$800 on his investment in our private stock. The company asked him what he wanted—whether he wanted us to contribute to his support as long as he lived, and he said "No." We were satisfied. He finally said \$8 a week, and we are now paying him \$8 a week.

Now, one of our subforewomen, who was getting \$24 a week, became completely incapacitated. We approached her. She had more responsibilities; she was married; her husband was dead. She said she needed it all, and we paid her \$24 a week for the past 13 months, and we will continue paying her \$24 a week for the next 13 years if she lives that long rather than let her go broke. This is an interesting development in her case. Two or three months after she went home two doctors, one my own family physician who is now more or less regularly employed by the company, said she couldn't live long, probably not over a few weeks. For the last 11 months he had expected her to die almost any time. Lately she has improved. Now she can walk outdoors. Now, the interesting thing about her is what would have happened if we hadn't supported her? In my judgment, she would have been dead, for she would have had

to worry with no income. Now, if our system has been the cause, not of prolongation of her life in misery, if she is going to recover and have several years of fairly happy life and, in addition, if she happens to be an unusual woman, she can bring influences on her grandchildren which are beneficial to society. That was how much our \$24 a week for 60 weeks contributed to the welfare of society.

It is an imponderable thing. It has some definite effect upon morale and social welfare. It has an effect upon her spirit, and the people with whom she comes in contact, and it has its beneficial effect upon these people not only as human beings but also as producing units.

Now, I am saying this because I want to get before you as clearly as I can the processes through which my mind has gone and the various things I have attempted to do. I disclaim—I don't want anybody to think I am doing this for what are usually called religious reasons. I am trying to approach the whole situation in our plant, to see what the effect upon the individual may be of different kinds of treatment with respect to his intellectual ability, his intelligence, and his happiness. The three factors in industry which seem to me to be important, and in the order of their importance, perhaps, are his economic ability, his happiness, and his intelligence.

Now, it is my firm belief, based on an experience of almost 12 years, that by bringing into industry surety of employment we can improve the worker's economic position. We can certainly affect very greatly his intelligence, and we can through both of those vastly affect his happiness.

Now, history to date, it seems to me, has aimed chiefly at the first factor—the output of the individual, his economic importance—and has paid little attention to what seems to me to be the major factor, his happiness, whatever may affect his spirits, which I think means his happiness.

Senator WALSH. I think the interest of many manufacturers has been largely based on the desire to increase the output—self-interest rather than on a spirit of altruism.

Mr. HAPGOOD. Yes; I think almost entirely so. I think there is a changed attitude, however. I am very much encouraged by what I have experienced in the last few years with other manufacturers.

The CHAIRMAN. The Senate will convene in a very few minutes. Have you anything further?

Mr. HAPGOOD. Now, as to the last question in Senator Couzens's letter: "To what extent can similar measures be applied to other plants and other industries?" I see no reason why what we have done can not be applied to all industries, and I believe it will strengthen rather than weaken the security of industry. It won't prevent unstable and badly managed industry from going out of business, but I think it will increase in the course of years the intelligence of the workers. There is greater difficulty with respect to some workers than others.

I own a farm of 650 acres, in addition to being manager of the plant, and I am trying with the farm on the same basis to see if I can't give security of employment to the major portion, if not all, of the farm workers. It is because of my feeling that they should also be protected we should very considerably change the methods

on the farm. We now have five families on the farm, and all those workers are protected by the year, paid by the year, and employed by the year.

Now, there are obviously some kinds of work, out-of-door work, like road building, that can not be a 12-months occupation. It is my belief that when people are in work like that they should be protected by some form of insurance that will support them when they are going from one job to another, or that the individual State or the Nation should take upon itself the task of finding jobs and transporting these workers to other fields. If we ask harvest hands to go from one part of the country to another, we should protect them, because they are rendering a definite social service by going from Indiana, say, to Nebraska, to harvest wheat.

Senator TYSON. Who did you say you should put that on—the State or the Nation?

Mr. HAPGOOD. I can't tell you that, Senator. It is something which society should provide for.

Senator TYSON. But you wouldn't think it should be put on the corporation or individual who employs him?

Mr. HAPGOOD. I think in that case it shouldn't be put on the individual farmer. When we get large units like the Campbell people, for example, they will be able to bear it; I would be willing to put that amount of tariff on my farm.

Senator TYSON. I don't mean you, but the contractor, doing road building. He contracts for eight months in the year while doing road building. Would you put it on him during the other four months?

Mr. HAPGOOD. It certainly isn't in my mind that a penalty be paid by industry unless it can give yearly employment. Begin with little people and say that any employment for less than a couple of months be subject to some kind of a penalty.

Senator TYSON. Where he could absorb it, perhaps, without ruin?

Mr. HAPGOOD. He would transfer it by means of additional cost.

The CHAIRMAN. If there is nothing further we will adjourn until to-morrow morning at 10.30 o'clock.

(Whereupon, at 12 o'clock noon, the committee adjourned until to-morrow, Friday, December 14, 1928, at 10.30 o'clock a. m.)

## UNEMPLOYMENT IN THE UNITED STATES

FRIDAY, DECEMBER 14, 1928

UNITED STATES SENATE,  
COMMITTEE ON EDUCATION AND LABOR,  
*Washington, D. C.*

The committee met, pursuant to adjournment, at 10.30 o'clock a. m., in the committee room, Senate Office Building, Senator James Couzens presiding.

Present: Senators Couzens (chairman) and Walsh.

Present also: Dr. Isador Lubin, economist, of the Institute of Economics of the Brookings Institution, Washington, D. C.

The CHAIRMAN. The committee will come to order.

### STATEMENT OF WILLIAM GREEN, PRESIDENT AMERICAN FEDERATION OF LABOR, WASHINGTON, D. C.

The CHAIRMAN. You are familiar with the resolution which the Senate passed, No. 219, sufficiently to go into this question of unemployment, are you?

Mr. GREEN. Yes; I know something about it. I understand its aims and purposes.

The CHAIRMAN. You understand, of course, that this question of unemployment is a very live issue?

Mr. GREEN. Yes; we understand that.

The CHAIRMAN. And, in view of that, I would be very glad if you would tell us of any views you have in connection with the solution and stabilization of employment.

Mr. GREEN. The laboring men and women realize, of course, that unemployment is a very serious problem. Unemployment affects labor very seriously; and, as a result, we have given very great consideration to the problem and its solution. I think every thinking man realizes that it is a very difficult problem, and that if it is ever partially solved that it will have to be approached in a careful and scientific way. There are several phases of the problem that command consideration. First, there is unemployment caused by some national depression. As a rule, that is pretty widespread. Then there is unemployment caused by seasonal fluctuations or unusual seasonal demands for labor, and then, of course, there is a recession.

Now, we have a modern industrial problem, unemployment problem, caused to some extent by machine displacement. An unfortunate feature of the unemployment problem is, in my opinion, a lack of statistical data and figures showing the continual extent of unem-

ployment. That makes it quite difficult for us to consider the problem in the way it should be considered.

The CHAIRMAN. Will you just amplify that, because my observations have been that we have accumulated a lot of statistics that are very rarely available until there has been a lot of suffering from unemployment.

Mr. GREEN. That is it. The statistics that we ought to have in order to approach the consideration of this problem of unemployment are not available at the time when we need them. It was very difficult during this past year for us to find out accurately the extent of the widespread unemployment.

The CHAIRMAN. Well, now, let us assume that the statistics had been available to you; what could you have done about it?

Mr. GREEN. Nothing of any moment, but it is necessary for us to have the facts for us to approach the problem in that broad and constructive way that we ought to in order for us to consider it in its full effect and full meaning. That is my idea.

The CHAIRMAN. You mean, for the next unemployment period?

Mr. GREEN. Yes. I don't think that we can wait until an unemployment situation is upon us and then expect to solve it overnight. The whole unemployment problem is bigger than that, it is larger than that, and for that reason we need to consider it and approach it in a bigger and more constructive way. That is my own opinion of it, Senator.

The CHAIRMAN. Well, I think that is true. I was not criticizing what you were saying, but I have a very definite conviction that too much stress is laid upon statistics, and that the libraries and the offices of the Federal Government are full of statistics that are never used.

Mr. GREEN. Not unemployment statistics.

The CHAIRMAN. No; that may be true, but it is usually so late, because of the routine and red tape involved, and the bureaucracy, that you might, for instance, take the statistics of any period on any subject and they nearly always have to be brought up to date, and about the time they are brought up to date the crisis has passed, and the statistics became old and valueless again. It seems to me that it is more a question of consciousness of the employer and the public generally, whether we have 4,000,000 or 2,000,000 unemployed. In other words, we get into controversies, as we did in the last session of Congress, as to unemployment. No, I don't think that that was as important as the fact that there was unemployment, and the problem must be solved.

Mr. GREEN. In that respect, first of all, we don't know how many men are being displaced through the introduction of machinery.

The CHAIRMAN. Well, now, if you knew that, what would you do?

Mr. GREEN. I think if we knew that then we could formulate some constructive and systematic plan by which we could place these men that have been displaced through the introduction of machinery with those who are needing men in a better way than we do now. As it is now a man is displaced and it is up to him to go out and find employment in some other line; and, usually, the man displaced is a skilled man. For instance, in the glass-blowing industry, that trade has been practically eliminated so far as the individual

glass blower is concerned. The young man went into the trade as an apprentice. Along comes the machine, and it is introduced and does the work that probably 20, 30, or 40 men formerly did. Now, those skilled glass blowers are thrown out. They must find employment then in some other industry, usually a new industry. They are absorbed somewhere. Our experience has been that it is very difficult for those men to make the contact that they should in order to find employment.

Now, the same is true of men employed in other lines of industry. That takes place in the steel mills, foundries, blast furnaces, and all these classes of industry. For instance, in the steel mills, work that was done by 14 men, charging furnaces, is now done by 2. Twelve men were displaced.

The CHAIRMAN. Well, now, just let us get down to concrete cases. For example, suppose you had statistics to show that there were 500 or 1,000 of those men, what difference does it make whether there are 500 or 1,000? If there are some, isn't the problem just as concrete? So far as being a problem, the problem is just as concrete, whether there are 10 or 100 men unemployed. It is just as concrete to them as would be a larger number.

Mr. GREEN. Oh, yes; except that you could take care of 10 men more easily than you could 100 men.

The CHAIRMAN. If you could take care of 10 men why couldn't you take care of 100?

Mr. GREEN. Well, I suppose, from the standpoint, of course, that it would be easier to place 10 men than it would be to place 100 men. That is the point of view, although the problem doesn't differ any the less.

The CHAIRMAN. That is what I mean.

Mr. GREEN. It is a matter of taking care of the men displaced by machinery.

The CHAIRMAN. That is what I mean. If there were machinery for taking care of 10 men, that machinery ought to take care of 100.

Mr. GREEN. Exactly.

The CHAIRMAN. That is the reason I don't get the importance of stressing the number.

Mr. GREEN. We would know the number that were gradually being displaced by the machinery, and the actual information is always helpful in arriving at a conclusion. That is the point.

The CHAIRMAN. You think, then, that if we had statistics showing 10,000 instead of 10 men, the public conscience would be more easily aroused in solving the problem?

Mr. GREEN. That is it. We would know that we would have to take care of 10,000 men, and we could begin setting up machinery by which we could meet that situation. That is the point I had in mind. Of course, any seasonal fluctuations which cause a heavy demand for labor at some periods and a falling off in others appears to me to be a problem that will have to be met by the employers realizing that it is a real problem. I think that labor can help in the matter if it is given an opportunity to by conferences, suggestions, and agreements, if necessary. Now, as an illustration in the garment-making industry it has been demonstrated that it is impossible to supply more than 40 weeks work out of the 52. That

means that for about 12 weeks a number of those employed in the garment industry must secure employment in other lines of industry.

The CHAIRMAN. Is it practical, from your observations, to pay those employees a 52-week wage for the 40-week service, to stabilize the income if you can't stabilize the employment?

Mr. GREEN. Well, I think it would be practical, yes, to do that. I think that could be done very readily if the employers would realize that they assumed an obligation when a man sought and secured employment with them—an obligation to commit the man to continuous employment. Of course, that would add to the cost of the manufactured article, and that would be passed on to the public. They have experimented, as you know, Senator, in this matter of creating unemployment funds through contributions of certain sums by employers and a relative sum by the employees. And then out of the fund thus created unemployment benefits have been paid for a period, say of from 12 to 14 weeks. But that is quite a burden, and after all, it is just about the same as paying them steadily, anyhow, except that the employee is compelled to contribute. Here's the thought in connection with that. The first thought about it in connection with the shoe industry was that if the manufacturer's goods could be standardized some plan could be brought about so that employment could be standardized, and thus during dull periods they would be enabled to stock up and supply the United States when the demand came. It would help tide them over these periods.

The CHAIRMAN. You are not so optimistic as to say that women would stand for standardized clothes and shoes; are you?

Mr. GREEN. No; that is the trouble. There have been a good many things done, however, along that line. I don't think you can standardize women's clothes, or women's shoes. I agree with you heartily on that. But that interferes with the employment situation very greatly. Now, in agriculture, I don't know how you would meet that problem. We have our harvest times and seed times, and the demand for the harvest hands comes when the harvest is on, and that is the main difficulty faced by all these seasonal demands for employees.

The CHAIRMAN. Is there much difficulty in getting men to change their environment and their homes for occupations in other localities?

Mr. GREEN. Yes; it is difficult. For instance, you know the miner's situation. That is the most serious industrial unemployment situation that I know of. Everybody suggests, of course, that thousands of miners leave the mines and go out and seek employment in other industries. Well, now, that situation seems to be all right, but it means this, that you are asking a man that has been associated with friends all of his life to go out and seek employment in other industries, and that is the most difficult thing in the world, to persuade him to leave the employment with which he has been associated all his life.

The CHAIRMAN. There would be difficulty from that viewpoint in the labor exchanges; wouldn't there?

Mr. GREEN. Yes; there would be some difficulty, how great it would be I am unable to say. There would be some difficulty.

The CHAIRMAN. In other words, he would not willingly give up his long association with other people, his neighbors, and his accus-

tomed work, and transplant himself to some other location, in a strange environment, without pressure.

Mr. GREEN. No. That is my opinion—that he will leave his home and life environment rather reluctantly. It is human nature to cling to the home and the place where you have lived and to those with whom you have associated practically all your life. Then, the character of the work must be taken into consideration. If a man is trained, for instance, to work in mines, and to work under conditions established there, it is not an easy matter to prevail upon him to change from that line of work and seek employment in other lines of work. Take, for instance, mining—it is piecework, practically all of it; I suppose 90 per cent of it is piecework. They would be called upon to go out and work by the day in other lines of industry. That is the psychological effect.

The CHAIRMAN. With respect to your statement that stabilization of income might be accomplished by paying 52 weeks' wages in case employers are not able to employ workers by the year, and that that would pass the cost on to the public, perhaps in increased prices on commodities; as a matter of fact, society has to stand that, anyway. We don't want to let the men starve or go without a decent living. So, in the final analysis there are two ways to take care of these people, one by stabilizing their income, and the other by the unsatisfactory method of charity and philanthropy.

Mr. GREEN. That is the way I look at it. After all, it is a social question.

The CHAIRMAN. It is a social question. Society has to stand for it. One is self-respecting, and the other relies on charity and philanthropy.

Mr. GREEN. Yes; that is our philosophy. In approaching this unemployment problem we ought to find a practical means of stabilizing it so that every man may be made a steady consumer. We believe that we have attached altogether—I was going to say too much importance, but I don't think that would be the proper word—but while we have been attaching importance to the problem of production we have not been giving the problem of consumption the consideration that it deserves. Now, if we could stabilize employment so that the great mass of the people could be guaranteed a steady income, then we would in a measure break down this whole structure of unemployment, because if people could be made to buy the things that industry produced steadily, then the men would be employed.

The CHAIRMAN. Yes. That was one of the thoughts we had in mind when the automobile industry was quite seasonal. When the Ford Motor Co. put into effect its \$5-a-day average wage, the wage of the workers was about \$2.35 to \$2.70 a day.

Mr. GREEN. Yes.

The CHAIRMAN. We thought that, if for the days they worked they got much more than that, they could afford to be unemployed, so far as the economic income was concerned, for some period of the year.

Mr. GREEN. Yes.

The CHAIRMAN. That would stabilize the income, and that is really the important thing—stabilization of the income if you can't stabilize the work.

Mr. GREEN. Stabilize the income; yes.

The CHAIRMAN. So that those who are laid off during those periods don't suffer economic distress. And that is a problem that is up to industry, in my judgment, to solve. It can not be solved by legislation. I would like you to bring out any views you may have as to what, if anything, the Federal Government can do in the matter.

Mr. GREEN. I want to make these suggestions: First of all, I think the problem of stabilizing employment is a problem that should be dealt with between the owners and managers of industry and labor. What I mean by that is this seasonal unemployment—these ups and downs. I think they ought to approach the problem with a determination to find a remedy. And in some of these high seasonal industries, like garment making, and others, I know of no reason why a system might not be worked out by which they could pay these workers a steady yearly income. I don't believe that under the present organization of some industries that that could be done. We know that the unemployment problem in the coal, textile, shoe, and pottery industries is difficult. They are suffering, or were, economic ills that must be adjusted. There is overproduction in the bituminous coal industry, there is overproduction in the textile industry, there is a very continuous overproduction in the shoe industry, and now the pottery industry is claiming that it is suffering from foreign competition, and, as a result, a number of potteries in our own country are out of business.

The CHAIRMAN. So that, in that case, a tariff is the solution, is that correct?

Mr. GREEN. Well, I am not so sure about that. I am not expressing any opinion myself on that particular point. Some of those associated with the pottery industry claim that that is true. I am not in the position of knowing the facts to express an opinion on it.

The CHAIRMAN. Do you know of any industries, in your wide experience, that have attempted to solve the unemployment problem by either standardizing the yearly income or by diversification of work?

Mr. GREEN. Well, the anthracite coal industry did. That is, the unemployment caused by seasonal demand, and as a result of it, up until a year or two ago the anthracite coal mines operated quite steadily, summer and winter. During the summer time when the trade was slack they lowered the price of anthracite coal in order to stimulate the consumer to buy during the summer months, and, in addition to that, they provided for their surplus great stocking coal centers. And then during the winter they moved the coal from these storage centers out into the towns and cities where it was used, and as a result the anthracite coal industry was fairly well stabilized. However, since the last couple of years that situation has been greatly disturbed due to the introduction of oil-burning devices and substitutes for anthracite coal. Now, this year they have suffered a great deal of unemployment; I can't give you the number of days, but they suffered very greatly.

The CHAIRMAN. During the past two years?

Mr. GREEN. Yes; during the past two years.

The CHAIRMAN. That disturbance that you speak of was in part due to the arrogance of the operators, was it not? I mean in discouraging the public in using anthracite?

Mr. GREEN. Well, I think it was caused partly because of the anthracite coal strike, during which the operators persisted in their opposition to the proposals made by the miners. During that period a number of substitutes were introduced, and then when the strike was settled the public just kept on using these substitutes. But part of it has been due, of course, to the steady inroads made by these new substitutes for anthracite coal. I suppose there would have been a great many oil burners introduced into New England and other places even though there had been no stress because oil burning appeals to a great many people; and it has proven in a great many instances to be a very satisfactory sort of fuel.

Now, I can't recall many other owners and managers of industry who have tried to stabilize industry during the seasonal fluctuations. I have heard about some who have been considering the problem and who have been diligently endeavoring to apply a remedy.

The CHAIRMAN. Has the American Federation of Labor any committee or agency which studies this matter?

Mr. GREEN. Only in our modest statistical department, so far as we are able to do it. We have gathered statistics or figures on unemployment. I will leave them here with you if you care to have them. We also have some here on fluctuations in employment, and the effect that unemployment had upon charity distribution.

(At this stage Mr. Green handed to Doctor Lubin several documents and charts, to which reference is made during the following proceedings, and which are appended hereto.)

These are figures on unemployment that we gathered from our own representatives in different towns and cities throughout the country during the year 1927. This gives the percentages. Now, here are the fluctuations in the building trades as we have it in the different months. Would you like to have this?

Doctor LUBIN. Yes.

Mr. GREEN. Now, the building trades are a fairly good barometer in the towns and cities, and that is the reason we have emphasized the building trades. Now, in this chart here—I will not trouble you about this, Senator, but I will explain it to Doctor Lubin. This black line indicates the number of dollars distributed each month. It goes up here, you see. Now, the red line indicates the number of men employed, and so on, as reported by the employers' association, representing approximately two-thirds of the working population of Detroit. This is in the city of Detroit.

The CHAIRMAN. They have one of the best reporting facilities, I think, in the country.

Mr. GREEN. I think they have. And you can see by this [indicating on chart] that as employment went up the distribution of charity came down—down, see—up—down. And as one comes down the other goes up. The figures are there. This gives the figures on machinery, and this on displacements.

The CHAIRMAN. I understand you were in New Orleans at the time the conference of governors proposed a sort of reserve for unemployment; is that correct?

Mr. GREEN. Yes. I was coming to that. Now, first of all, on this seasonal unemployment, the situation could be helped if the employers and employees would apply themselves to a study of the causes and then seek to apply a practical remedy so that the workers would be guaranteed a steady and fixed income. That, in my judgment, would go a long way toward relieving the unemployment situation, because it would guarantee a steady income and develop the purchasing power of the masses of the people; and that in turn would be reflected in increased activity in the industrial output.

The CHAIRMAN. Would it also be an incentive for employers to use more imagination and foresight in their planning?

Mr. GREEN. Yes. Now, on the displacement of men by machinery, I think that is a problem that ought to be considered by employers and employees, and, perhaps, by some representatives of the Government; because, in my judgment, that will eventually become a very acute problem. Thus far we have not suffered much by machine displacement because the newer industries have absorbed those thrown out of employment through the introduction of machinery. For instance, the automobile industry during the past 20 years has grown and developed, and as a result of it it has called for the employment of hundreds of thousands of men. Then came along the automobile accessories, filling stations, and all that; and they afford employment to hundreds of thousands. Then came the radio and the airplane. It is reasonable to conclude that the peak of absorption will some time be reached, and yet we are just at the edge, as it were, of mechanical development.

Improvement will go on and on and industry will be equipped with machines more and more. The machinery will be perfected and improved and the steady displacement of men will go on. Now, we can't afford to have these men become permanently unemployed, because that would disturb the market. We must keep up the market as well as keep up production. The American Federation of Labor has never stood in the way of the introduction of machinery. We have invited it. We have felt that machinery relieved drudgery and toil, and that its expanded use would help increase the income of the working men and women; and, as a result, it would be a blessing to the great mass of the people. So in making this point I don't want to be understood as placing the American Federation of Labor in opposition to the introduction of machinery in industry. What I am calling attention to is the problem of unemployment caused through the machine displacement of men, and this is a problem that is so impressive that we ought to think out at least some ways and means by which we can steadily take care of the men who are displaced through the introduction of machinery. That is a phase of our unemployment problem that I consider as of extreme importance. Now, just how it can be done is difficult, I think, for any man to foresee; but I think that there ought to be an honest approach to the consideration of that subject now and not wait until it becomes really acute, not sit down, as we do in these ups and downs, and wait until we have 1,000,000 or 5,000,000 men on our hands, but consider now what we are going to do with this number of men that are being displaced through the use of machinery.

The CHAIRMAN. Well, now, the federation has proved competent to do that job on its own account. Is it doing anything toward that end?

Mr. GREEN. It is a difficult thing for us to do that, Senator. The trouble is that not all of the employers of the country will work with us. They will not confer with us. They will not hear us. They are hostile to us. So that it is difficult for us to make an approach and to make a contract and get consideration of the subject, but we are endeavoring to do what we can by arousing public opinion to a consideration of the subject and by calling attention to the number of men that are being displaced.

Now, in some trades we are trying to take care of them the best we can, but it is becoming a more and more difficult problem.

The CHAIRMAN. Take these industries that you are cooperating with; could you not make a study in cooperation with them as to the best means of solving this question of unemployment due to machinery?

Mr. GREEN. We can, of course, with a number of the trades, like the building trades, the printing trades, and a number of miscellaneous trades, with which we have contract relations.

A strange situation exists, Senator, among the musicians. The musicians' unions are grappling now with that very problem through the introduction of the talking pictures. Musicians are being displaced and their organizations are grappling with that problem now. Just think of those men that have become artists, in big orchestras, men who studied music for years, men of genius, who are thrown out, being displaced, through the introduction of mechanical devices—the talking pictures. Among these, it is skilled people, artists, that are being thrown out. It is a pretty tough thing for a man that is skilled to go down and accept employment at unskilled work, unskilled industry. The artist, the musician, what is to become of him?

Doctor LUBIN. I found 40 of them discharged in Baltimore.

Senator WALSH. I didn't hear that it was reaching out in that direction; did you, Senator?

The CHAIRMAN. No; I haven't.

Senator WALSH. I have heard about telegraphers being thrown out of employment by the introduction of new inventions that are being used.

Mr. GREEN. That displacement of telegraphers has been within the past six years.

Senator WALSH. A man can now turn on a machine and then have nothing further to do with it.

Mr. GREEN. The displacement of these musicians, skilled people, through the use of machinery, is causing considerable trouble in a number of places. What are we to do with them—let them go out and work with pick and shovel? That is a difficult thing to determine.

The CHAIRMAN. Have you asked the question that you had in mind, Senator?

Senator WALSH. I would like to ask about a letter we have here. Among the things I wish you would give some thought to and let us have your views later if you haven't thought of anything yet, is the thoroughness and accuracy of statistics prepared by the Department of Labor and the various State departments in reference to unemployment. There seems to be no distinction made between

part-time employment and unemployment. As I interpret the figures that are gathered, if a man works one day or week or a month, he is regarded as an employee, and we are not able to get a true picture of the industrial conditions because there are no statistics that show the extent of the part-time employment. Am I correct about it?

Mr. GREEN. Yes; that is correct.

Senator WALSH. I would like to get a better picture of the real employment conditions in the country by having only statistics of the people who are carried on the pay rolls regularly, and not statistics of those carried part time. You appreciate that, Senator?

The CHAIRMAN. Yes; I understand the point.

Senator WALSH. I wish you would see what we can recommend in the way of collecting statistics, or urging our departments, or compelling them, if necessary, to get statistics of a more accurate and more definite character than we have been able to get. I am going to read a letter along that line that came here in September from Worcester, Mass. [reading]:

In considering the unemployment problem of Massachusetts in considering the rating that the Manufacturers' Association gives in reference to employment, it has been called to my attention that the figure, which they give and which would seem to indicate that employment was on the increase and that there was not a considerable amount of unemployed, is arrived at in this way:

A man is employed by Crompton & Knowles. He is laid off and may work for one day a week, or one day every two or three weeks or even one day every six months, but he is still kept on the roll of employees of Crompton & Knowles, although as a matter of fact he is working so brief a period of time that the fair interpretation would be that he was not working.

He gets employment for two days a week with the American Steel & Wire, and is listed as being an employee of the American Steel & Wire. This would indicate that two men were being employed, while as a matter of fact one man is being employed; and then he is only being employed a short period of time.

I think there is no doubt but that this condition prevails throughout among the Massachusetts Employers' Association and, of course, is used for the purpose of deceiving the public regarding the employment conditions here.

I do not think that this is meant intentionally to deceive, but I think the result is that we do not get an accurate and correct picture; and I wish that you and your federation would think of that problem and see if some way can not be devised to collect statistics to give us a better picture. Mr. Grady knows that in Massachusetts one of the problems we have had there is the part-time employment problem. It has been a great problem. It hasn't been unemployment, but it has been part-time employment. It is a fact that men with families have only been working two or three days a week for the past four or five years. Yet the records show that they are employed and the reports are to that effect.

I want to ask you now if some one in your federation would make some suggestion along this line. The question has been suggested by Senator Couzens and has been asked of other witnesses, and it is relative to what appears to me to be a growing tendency upon the part of employers to dismiss an increasing number of their employees each year who reach what they call old age. My attention has been called to several cases where men who have just passed the age of 50 have been discharged, with the statement that they had outworn their usefulness and reached an age where they didn't care to keep

them any longer and were going to supplant them with younger men. I would like to know to what extent that practice is growing in the country and what, if any, suggestions you have to make as to what can be done to meet the economic losses and hardships that result from the dismissal of the men who have spent the best years of their lives in an industry and who are dismissed before they are old men.

Mr. GREEN. Well, Senator, that has been a problem that has been ever present with us. It has been present with us for a great many years. Connected with that has been this policy of physical examination instituted by a great many employers, particularly those who own and manage the mass-production industries of the country. And we have been deeply concerned about the policy pursued, about either dismissing men when they reached the age of 45 or 50 years, or refusing to hire them when they reached that age in life. Now, where we have direct relations with employers we are fairly able to protect and prevent discrimination against them after they have secured employment because we have objected to men being dismissed without cause. In the building trades, the printing trades, and miscellaneous trades, where we have contractual relations, we have been able to do something along this line. Where the men are earnest men and give good service and are doing their work right they should be permitted to remain. But in employing men they, of course, discriminate against the older men; they seek to employ the younger men.

Now, how to meet that, Senator, is a difficult thing, because you can't very well say to an employer, "You shall do thus," or "You shall not do so and so." It appears to me, however, that that is a matter for public opinion and public conscience, that the public should be aroused to this practice, and that there should be a general attempt made on the part of the public to see that the practice must cease and that every man must be given a fair opportunity to earn a decent living. How to meet the problem through legislation I can not see.

The CHAIRMAN. Isn't it a condition comparable to an injury in the course of employment? If a man is injured in the course of his employment the laws of most of our States compel the employer to compensate him for the period of his incapacitation.

Mr. GREEN. That involves the question of old-age pensions. It also goes into that.

The CHAIRMAN. Yes.

Mr. GREEN. And then you get into the matter of States' rights and State legislation, and, of course, it would be mighty difficult to attempt uniform legislation on that subject.

The CHAIRMAN. It probably could not be done nationally, but in our report we could recommend that as one of the remedies for the various States to consider.

Mr. GREEN. Well, yes, and perhaps you know—I am sure you do—that studies are being made upon that subject in many of the States. We have been making a study of it. We made a report upon it to the New Orleans convention; that is, on the subject of old-age pensions. The point you raise touches that very closely, but I don't think a man 45 or 50 years of age is ready to be classed as eligible

for an old-age pension. I think he has many years of usefulness before him and it should be possible for him to earn a living until he is incapacitated. It is not a question of putting him on a superannuated list, because most men at 45 are able to work.

(The following material was submitted for consideration of the committee by Mr. William Green, president of the American Federation of Labor:)

#### SOME EXAMPLES OF MACHINE DISPLACEMENT OF WORKERS

However, no governmental or other agency had been recording the results of displacement of workers by mechanical devices and power. We know some such displacements as these were in progress:

**Steel.**—Seven men now do the work which formerly required 60 to perform in casting pig iron; 2 men now do the work which formerly required 128 to perform in loading pig iron; 1 man replaces 42 in operating open-hearth furnaces.

**Machine shops and railway repair shops.**—One man replaces 25 skilled machinists with a "gang" of 5 or 10 semiautomatic machines; 4 men can now do in 3 to 7 hours what it formerly took 8 men 3 weeks to perform in repair work on locomotives, due to oxyacetylene torch; 15 years ago it took 15 to 30 hours to turn one pair of locomotive tires. Now it takes 8 hours to turn 6 pairs with same number of men by use of modern processes. (Time reduction: 15-30 hours to 1 hour and 20 minutes.) Thirty workers with 10 machines now do the work of 240 workers with 20 machines in the Sun Tube Corporation machine shop.

**Brick.**—A brick-making machine in Chicago makes 40,000 bricks per hour. It formerly took one man 8 hours to make 450. Change: It would take 711 hours to make 40,000 bricks by the old method with one man working. It now takes one hour.

**Glass.**—The most up-to-date automatic machine makes in one hour what it would take more than 41 workers to make by hand in the manufacture of 4-ounce oval prescription bottles. In 25 and 40 watt electric bulbs the man-hour output of the automatic machine is more than thirty-one times that of the hand process.

**Cranes and tractors.**—Three men replace 28 in Youngstown Sheet & Tube Co. with tramrail crane; 5 men with tractors replace 48 men as crane loaders in Willys-Overland Co.

**Conveyors.**—Five men do three days' work in one day in emptying brick kiln.

**Paper-box industry.**—In New York, from 1914 to 1925, the number of workers decreased 32 per cent while the output per wage earner increased 121 per cent.

**General.**—In the automobile industry the same number of men are producing three times as many cars as in 1914; steel mills turn out twice as much again as in 1913.

On the other hand, occupational shifts resulted from the development of new industries, new inventions, and new customs. There has been a decrease in agricultural workers of over 8,000,000 (1920-1925). While those employed in all manufacturing industries have decreased in number, the automobile industry, rubber tires, electrical machinery have increased the number on their pay rolls. Such new industries as the manufacturing of radio sets, airplanes, mechanical refrigeration have required large work groups. Salesmanship and service forces for automobiles, radios, and electrical products have opened up new jobs for over 1,000,000. Mail-order houses, chain stores, and distributors of household appliances afford other work opportunities. Motion-picture houses employ about 150,000. Insurance companies have increased their employees by about 100,000; the telephone industry by 660,000. The number of barbers and hair dressers have increased by 160,000 in the past seven years. There has been a very great increase in clerical workers and in the electric-light and power industry 53,000 more are employed.

#### EMPLOYMENT IN MANUFACTURING INDUSTRIES

**Regularity of employment.**—One of the most fundamental aims of wage earners is regularity of employment. The whole organization of life for the wage earner and his family depends upon steady income. The commercial organization of the community is in turn dependent upon the incomes of its

residents for sustained patronage. When groups of workers of the community are unemployed business depression follows. The business community and the wage earners have a common concern for regularity of work.

During the past year reports of unemployment reached headquarters with insistence and frequency. No Government agency had data disclosing the size of the problem. Definite information on unemployment was necessary to constructive planning of industries, or even a presentation of the difficulties wage earners were facing. Unemployment seemed higher than seasonal changes alone could account for. The census gave changes in the total number of workers as follows:

Wage earners		Wage earners	
1899	4,712,750	1922	8,136,050
1904	5,468,400	1923	8,778,150
1909	6,615,050	1924	7,935,450
1914	7,036,250	1925	8,384,250
1919	9,096,350	1926	8,401,050
1920	9,288,050	1927	8,076,550
1921	6,946,550		

It was in the period from 1919 to 1927 when introduction of new machinery and changes in manufacturing process greatly increased productivity in manufacturing industries. The effect of machine displacement upon the workers is shown by the fact that there were 1,000,000 fewer workers in the manufacturing industry in 1927 than in 1919, a decrease of 11 per cent. It is estimated that during this period the productivity of the individual workman in manufacturing increased between 45 and 49 per cent. (Study by Woodlief Thomas of the Federal Reserve Board, published in March supplement, the American Economic Review.)

Quite aside from occupational shifts and development of new industries, the federation instituted a reporting system covering the regularity of work for members of trade-unions. The details of this work are given above.

The following table shows unemployment for all manufacturing industries and for the construction, metal, and printing trades workers:

Unemployment in trade-unions<sup>1</sup>

	Percentage of unemployed members									
	Oct. to Dec., 1927	Jan., 1928	Feb., 1928	Mar., 1928	Apr., 1928	May, 1928	June, 1928	July, 1928	Aug., 1928	Sept., 1928
Atlanta, Ga.	9	10	11	11	10	8	5	5	5	6
Baltimore, Md.	31	43	41	31	27	24	21	15	21	8
Birmingham, Ala.	12	17	18	10	11	7	6	13	18	16
Boston, Mass.	18	20	20	21	17	15	9	12	10	21
Buffalo, N. Y.	12	27	18	14	13	13	8	9	11	7
Chicago, Ill.	11	8	12	12	12	10	8	7	5	4
Cincinnati, Ohio	12	19	14	11	11	11	12	9	7	3
Cleveland, Ohio	17	34	36	36	29	16	9	11	6	11
Denver, Colo.	19	21	19	20	15	18	12	16	15	5
Detroit, Mich.	21	32	30	32	22	12	12	9	12	27
Jersey City, N. J.	12	22	21	17	19	35	20	22	28	21
Los Angeles, Calif.	16	23	23	17	17	18	12	11	15	24
Milwaukee, Wis.	7	10	8	8	8	6	6	4	2	3
Minneapolis, Minn.	8	12	10	15	13	12	13	7	8	9
New York, N. Y.	19	24	21	23	20	17	18	19	13	12
Omaha, Neb.	13	26	40	-----	17	22	14	12	12	12
Paterson, N. J.	13	13	24	24	15	16	11	17	11	19
Philadelphia, Pa.	14	18	17	20	27	19	16	17	27	25
Pittsburgh, Pa.	15	18	17	23	13	19	14	13	14	14
San Antonio, Tex.	4	9	11	7	13	8	3	3	3	3
San Francisco, Calif.	12	14	14	14	13	11	10	17	11	11
St. Louis, Mo.	9	13	11	12	12	11	12	10	6	8
Seattle, Wash.	10	11	13	13	10	7	5	6	4	3
Washington, D. C.	9	13	11	10	6	5	5	3	2	1
Total building trades	24	36	39	38	32	25	22	24	19	22
Total metal trades	13	18	15	13	12	12	10	13	9	8
Total printing trades	4	4	5	5	5	4	4	5	5	5
Total all trades	14	18	18	18	16	13	11	12	9	10

<sup>1</sup> For an explanation of the collection and computation of the figures, see March, 1928, *American Federationist*.

<sup>2</sup> Only for November and December.

<sup>3</sup> Only for December.

Obviously the building trades have a serious problem in irregularity of employment that extends throughout the year.

To deal with the problems of unemployment we recommend the following undertakings:

(a) *Employment service.*—We believe that there should be a nation-wide employment service either under Federal management or supervision. Such service would prevent much distress among workers and would be an advantage to employers needing workers. It would help to prevent overmanning industries locally to meet temporary expansions and would greatly help in enabling workers to adjust to occupational shifts and industrial developments.

Such an agency was operated by the Federal Government in the late war with many good results. It should be organized on a practical peace-time basis.

(b) *Stabilization of industry.*—In addition to all these phases of the unemployment problem there still remains an approach to the problem that promises more lasting results than all others—stabilization of industry. Responsibility for solving this problem devolves primarily upon management. However, the organized workers through trade-unions can make a functional contribution. By cooperation with management in eliminating wastes and development of better technical procedure the trade-unions can help develop a stabilization of production that will bring regularity of work.

As example of this we quote results from union-management cooperation on the Canadian National Railroad.

On the Canadian National Railroad, where cooperation has also been in effect since 1924, records of improvement in employment stabilization show that in the 4-year period ending December, 1927, there has been an increase of 14½ per cent in the earning capacity of each wage earner due to increased employment. This has amounted to an actual average increase of \$150 for the year 1927 over 1924 for each employee in the shops of the Canadian National. Besides this increase due to stabilization of employment, the Canadian National agreed through negotiation with its employees to establish one week's vacation with pay each year.

*Unemployment in the building trades.*—There are 1,400,000 building-trade workers in the United States. We have found that the average unemployment in the building trades reporting to the federation for the first 11 months of 1928 is 27 per cent. This represents an average monthly unemployment of 378,000 men.

*Unemployment in all trades.*—There are 3,000,000 union workers represented in our reports. We find the monthly average of unemployment to be 14 per cent, or 420,000 are represented as being unemployed during the first 11 months of 1928.

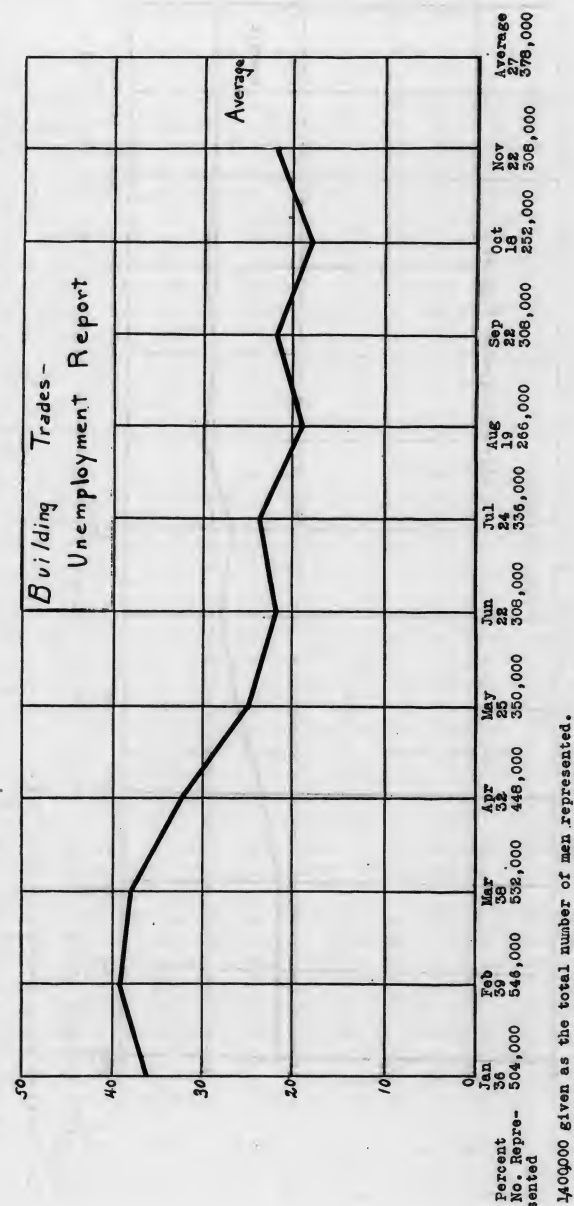
#### THE UNEMPLOYED WORKER MUST DEPEND ON CHARITY

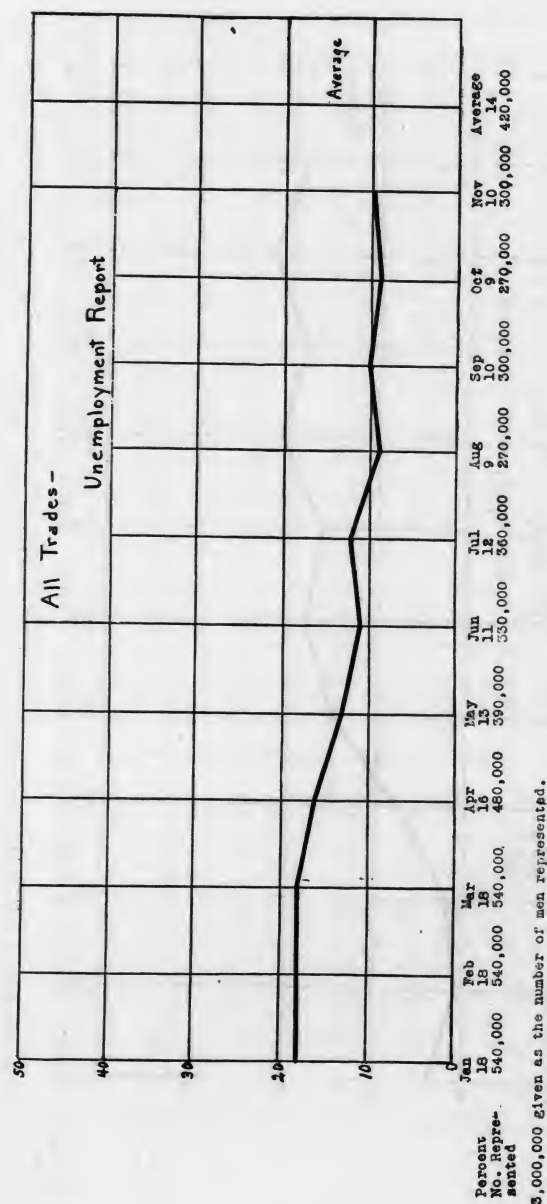
Reports from charitable organizations show a close relation between unemployment and the payment of relief. Since unemployed workers exhaust every means of support before applying to charity, and draw on savings or deprive themselves of necessities during the first months of unemployment, the demand for relief usually comes about two or three months after the beginning of an unemployment crisis.

The acute unemployment situation in the depression of 1921 and the consequent demand on public relief is shown by a report from the city of Detroit.<sup>1</sup> In four months from August to December, 1920, employment fell from 183,000 to 27,000—that is, 85 per cent of those employed in August were out of work in December. By February large demands on relief were beginning to be made, and by March, 1921, the relief payments reached a high peak. From October, 1920, to March, 1921, relief increased from \$33,000 to \$309,000.

Reports from 1920 to 1928 show that there is continually a very close relation between decreases in employment and increases in relief. The community bears the cost of unemployment.

<sup>1</sup> Report from department of public welfare. Figures on employment are from Employers Association and represent two-thirds of the working population of Detroit.





**STATEMENT OF A. C. BENNETT, OFFICE MANAGER, PACKARD MOTOR CAR CO., DETROIT, MICH.**

The CHAIRMAN. Just state for the record your name and occupation.

Mr. BENNETT. My name is A. C. Bennett. My occupation is office manager of the Packard Motor Car Co., Detroit, Mich.

Senator Couzens, I have been asked to come down here before this committee presumably because we have established a reputation for giving stabilized employment at our plant, and possibly that has been true to an extent. We hope that it has been, because we have tried to make it that way. However, we realize the question is so tremendously involved that we appreciate that we haven't made all of the progress that we can make. We feel that the more information we can get to help us in that problem the more we want, because we are by no means perfect.

Now, with your permission, I shall endeavor to answer the questions which you included in your letter with a view to giving you a picture of just what we have done.

The CHAIRMAN. We would be very glad to have you proceed, Mr. Bennett.

Mr. BENNETT. Your first question is, "How irregular was employment in your plants before you attempted to stabilize it?" We have always tried to provide regular employment. However, during the past several years this has been less difficult to accomplish because of our expanding business. That, in a way, is the keynote of what I have to say.

Your second question is, "By what means did you undertake to provide steady employment?" Those factors which involve the ability to expand our business are the same as those which promote to the greatest extent regular employment. However, in recent years more complete and accurate statistics have become available regarding the rate and kind of consumption of our product. In addition to this we have continued to study even more intensely the quality and competitive desirability of our product and to provide the public with that which they want and which, in our judgment, they will want if we are able to make it available to them. This desire to produce what and as our public wants is the fundamental basis for regular employment; in other words, stabilization of employment and continuous production.

The third question is, "What problems did you encounter in bringing about regular employment?" The most impressive problems which confront us in our desire to bring about regular employment are those that might naturally arise in the execution of methods to obtain satisfactory information. For example, this report [exhibiting same] comes to us from our dealers at 10-day periods during a month containing, as you realize, the fundamental factors involved in production and employment. I will leave this sample copy of that report with the committee. (Report referred to by Mr. Bennett is appended below.)

In addition, we use a long-time forecast of our business as well as a short time—three months—forecast which is subject to some revision as current facts become known. However, the interpretation of these

facts and conditions is really the most important consideration and these final conclusions, of course, rest with our president, Mr. Alvan Macauley.

The fourth question is, "How successful have you been in your efforts?" It is almost impossible to answer this question, because our business has been expanding and the same factors which provide for an expansion in business will also provide for the most regular employment if successfully carried out.

The fifth question is, "To what extent can similar measures be applied to other plants and other industries?" Our knowledge of conditions in other industries is limited, of course. It may be more or less difficult to use the same methods that we use. However, these methods seem to be fundamental, and to our limited knowledge are applicable to other industries also. It is a matter of very rigid and close market analysis, plus the expansion of our business, and we do not have definite proof of our success because we have been expanding in recent years; and with an expansion program we have little chance of unemployment, because we are continually hiring new employees. That is very general, of course.

The CHAIRMAN. You don't mind if I interrupt you, do you?

Mr. BENNETT. Not at all.

The CHAIRMAN. I was wondering if industry can keep on expanding, as you have, at all times, with the state of productivity of the country. What is to become of the industries that can't continue to expand?

Mr. BENNETT. That is a problem we hope to solve at the time. We haven't discussed the problem of the unemployed at a time of critical business depressions, but have discussed rather the minor business depressions which we have throughout the year. We have to deal principally with seasonal fluctuations in our business.

The CHAIRMAN. Well, how have you dealt with the seasonal problems in your industry. Do you lay off men at some periods and employ them at others?

Mr. BENNETT. To a minor extent, of course. We try, by an analysis of our market, by knowing how and when our product will sell, to so forecast ahead and to keep our fingers continuously on the situation by the use of statistics on all available economic conditions, so that we will be able to set for ourselves a monthly schedule that will be the same possibly for each month.

The CHAIRMAN. Have you any figures to show your fluctuations during the past few years?

Mr. BENNETT. Yes; I have a statement here. That information is given here for the past few years. Would you like me to read this?

The CHAIRMAN. Yes; if you will.

Mr. BENNETT. There was a slight business depression in 1924, if I remember correctly. During that year we had approximately 5,000 employees on the roll; that is, on a monthly average for the calendar year. I will read the statement [reading]:

Average number on factory roll of Packard Motor Car Co. (1922 to 1928)

	1922	1923	1924	1925	1926	1927	1928
January.....	3,503	4,836	6,904	6,266	7,798	7,850	10,369
February.....	3,816	5,085	6,484	6,259	7,712	7,630	10,606
March.....	4,518	4,969	5,941	6,433	7,979	7,573	10,686
April.....	5,402	4,963	5,320	6,653	8,232	7,067	10,728
May.....	6,708	5,032	4,650	7,344	7,990	7,554	10,529
June.....	7,337	5,173	4,187	7,711	8,147	7,865	10,094
July.....	7,795	4,861	4,187	8,392	8,995	8,811	10,308
August.....	7,371	5,044	4,041	8,572	9,679	9,498	11,608
September.....	6,324	4,852	4,099	8,454	10,071	10,142	12,213
October.....	6,007	4,716	4,048	8,774	10,119	10,265	12,405
November.....	5,721	5,399	4,096	8,937	9,162	10,035	12,040
December.....	5,673	6,073	4,685	8,633	8,279	9,977	11,053
Average.....	5,848	5,084	4,887	7,702	8,680	8,689	11,053
Labor turnover (per cent).....				250	230	162	128

The CHAIRMAN. You spoke of the average for those years that you just read. Of course, that doesn't really answer the question, for the reason that when you average it that way some of your employees may have been out of work for three months, others six months; and as they need their wages from month to month it does not solve the problem to average them, does it?

Mr. BENNETT. That is true. That is the thing we are trying to eliminate.

The CHAIRMAN. That is what we are asking. Have you been successful in eliminating the number of employees that you employ month by month?

Mr. BENNETT. During the past two years I would say we have been fairly successful.

The CHAIRMAN. How? Just by this plan?

Mr. BENNETT. By planning for production and stabilizing employment.

The CHAIRMAN. Let us say, for instance, that your knowledge or forecasts may have been inaccurate and incorrect. What would you do if your orders didn't come in as you had forecast? Would you lay off the men?

Mr. BENNETT. What we did do for a few months in the early part of 1927, instead of working a 5½-day week we kept all of our men on the roll instead of laying them off, practically all of them, as many as we could, and worked them four days a week for a few months, giving them an opportunity to earn at least four-fifths of their previous earnings.

The CHAIRMAN. What year was that?

Mr. BENNETT. The early part of 1927.

The CHAIRMAN. Was the business a little slack in 1927 compared with 1926 and 1928?

Mr. BENNETT. I believe that it was. It was caused by a general slowing up of business, a slowing up in orders for 1926-27, and was a little slow until the summer and fall of 1927.

The CHAIRMAN. Have you any rules and regulations with respect to the ages at which you employ applicants for work?

Mr. BENNETT. Yes; we have.

The CHAIRMAN. What are those rules and regulations?

Mr. BENNETT. Each man who is employed, who is over 50 years old, must have the approval of the head of the department.

The CHAIRMAN. Under what circumstances do you approve or disapprove of the employment of a man over 50 years of age?

Mr. BENNETT. I am not the one who approves that. We have a system of physical examinations. If the man applying for work has previously been with us, we are very generous in putting him back on the job if he has been off for only a comparatively short time. There is practically no exception to that. If he is an entirely new man, we question him.

The CHAIRMAN. In what way do you question him?

Mr. BENNETT. For this reason—

The CHAIRMAN (interrupting). No; in what way do you question him if he has not been in your employ before? For what reason?

Mr. BENNETT. As to his physical condition, with a view to ascertaining whether he will be able to keep up with the job he is going to be on.

The CHAIRMAN. What are the factors in determining that he should not be employed? Does it depend on the kind of job it is?

Mr. BENNETT. It depends on the kind of job he is going on. If there is a hazard in it, and he is not active, he shouldn't be placed on it, but should be given another job.

The CHAIRMAN. Do you give him another job or do you just dismiss him?

Mr. BENNETT. We try to give him another job.

The CHAIRMAN. How many cases of such character come before you in a year?

Mr. BENNETT. On rejections of that nature, I haven't the records here, but in a year there wouldn't be over 20 to 25 men.

The CHAIRMAN. That would be rejected?

Senator WALSH. And who are already in your employ?

Mr. BENNETT. No; those who are new men. There have been no rejections in the past four or five years of men who have previously been in our employ.

Senator WALSH. Would you employ a man over 50 years of age as readily as you would one of 20 or 30 years of age?

Mr. BENNETT. No; we don't, because the positions we have for them are those that require fairly active men.

The CHAIRMAN. The witness stated, Senator, that the employment department employs the men without reference to him, but if they are over 50 years of age they must be referred to him.

Doctor LUBIN. What reason do you have for rejecting a man other than the fact that he is not active enough? Is there anything in your pension system, or something of that sort, that bears upon it?

Mr. BENNETT. His fitness for production, as to whether or not he can get it out, and the fact that he might be injured in his employment. Those are the things considered.

The CHAIRMAN. Do you have a pension system?

Mr. BENNETT. We do not. We have studied every pension system we could get hold of, but we have been unable to find one that would be satisfactory. This is our plan now, we don't know whether we can carry it out or not, but we do this: When a man becomes unfit for production—that is, when he is too old and worn out to keep up with the younger fellows on the production line, or on some job where they are working on a bonus plan where he could not keep up with the rest of them—we analyze his case very thoroughly and it requires the approval of our vice president to put him into a special

department which we call the "D F" department, because we don't want to call it the salvage department.

The CHAIRMAN. What do you mean by "D F" department?

Mr. BENNETT. Those are merely numerals indicating the department.

The CHAIRMAN. Dead file?

Mr. BENNETT. Those are numerals that are used merely to indicate the department, just as the letters "D M" are used for cylinder plug.

The CHAIRMAN. What are the minimum and maximum wages you pay in your plant?

Mr. BENNETT. For hourly work?

The CHAIRMAN. Yes.

Mr. BENNETT. I can't give it to you accurately, but approximately, if you want it—45 cents to \$1.50 an hour. There might be some higher than that.

The CHAIRMAN. The minimum, anyway, is 45 cents an hour?

Mr. BENNETT. Forty-four or forty-five cents an hour is practically the minimum.

The CHAIRMAN. Do you work eight hours a day?

Mr. BENNETT. Nine hours now; 50 hours a week.

The CHAIRMAN. Fifty hours a week?

Mr. BENNETT. Yes, sir.

The CHAIRMAN. Have you given any contemplation of a 5-day week?

Mr. BENNETT. It has been considered, I believe, although I can't give you an opinion that would inform you on the point.

The CHAIRMAN. The question the committee would like to know about is what you would do in case of contraction of business rather than expansion.

Mr. BENNETT. I can only say that if we can master the seasonal fluctuations in the business we will have greater opportunity to master the other if it comes. Through very close analysis and keeping in close touch with our market, all phases of it, we should be able to eliminate unemployment to an extent if we get into a major depression.

The CHAIRMAN. You are planning for that now, as I understand you?

Mr. BENNETT. We have no definite plan now, Senator Couzens.

The CHAIRMAN. Now, assuming that in 1928 you had 10,000 men, and there was a retraction in the business in 1929, so that you only had to produce four-fifths of the 1928 business, would you reduce your staff to four-fifths?

Mr. BENNETT. More likely we would have every man work four-fifths of the time.

The CHAIRMAN. And keep the same number?

Mr. BENNETT. Yes. That is the best solution we have arrived at yet.

Doctor LUBIN. Do you have any scheme for storage through dealers so that you can keep your men more regularly employed each month?

Mr. BENNETT. Do you mean storage of cars?

Doctor LUBIN. Yes.

Mr. BENNETT. Yes; we expect our dealers and distributors to take an adequate number of cars through the lean months to provide for the peak months. We do it through education.

The CHAIRMAN. Have you given any thought as to whether the Federal Government can do anything to stabilize employment?

Mr. BENNETT. Since receiving your request to come to Washington we have thought about it, but can't give you any definite opinion. I believe, to a very large extent, something must be worked out by the individual manufacturer.

The CHAIRMAN. Have you any questions to ask, Senator Walsh?

Senator WALSH. No.

The CHAIRMAN. Have you any further statement to make, Mr. Bennett?

Mr. BENNETT. I have nothing further to say, Senator Couzens, unless there is something I can tell you that will be helpful. You appreciate, of course, that my remarks here have been very general. I don't know otherwise how to treat the subject.

The CHAIRMAN. I remember seeing the weekly statements of fluctuations of employment in Detroit. There was always a statement attached that it wasn't 100 per cent. I don't remember what it was. Are you a member of the employers' association?

Mr. BENNETT. Yes.

The CHAIRMAN. And you report your employees to them?

Mr. BENNETT. Yes, sir.

The CHAIRMAN. Your reporting facilities through the association are based upon four-fifths of this employment; is that it?

Mr. BENNETT. That is, the reports that we previously got?

The CHAIRMAN. Yes.

Mr. BENNETT. I believe it is 93 or 95 per cent of those employed in Detroit.

The CHAIRMAN. It is as high as that, is it?

Mr. BENNETT. Yes.

The CHAIRMAN. After hearing the statement of Mr. Green, president of the American Federation of Labor, here this morning, and the questions asked of him, if anything further occurs to you that would be helpful in this discussion we would be very glad to have you file any further statement or report which you have to make, not only to assist the committee in considering the question, but in giving information to others that would be helpful.

Mr. BENNETT. I have already mentioned about the problem of taking care of the older men. We do not get many applications in the first place from men that have not been with us, and those that are with us we take care of. We put them on jobs. In a big manufacturing plant there are certain jobs those men can be put on, and we feel that that is the very best thing to do, because the minute you pension an old man and say he is through, that there is no more work left in him, he is quite likely to be unhappy and die.

The CHAIRMAN. You spoke of the older men who are not able to keep up with the younger men. Are those cases picked out and referred to some other department, for consideration in some other place? Is that the idea?

Mr. BENNETT. Yes; for consideration in this one department.

The CHAIRMAN. That is, the "D F" department?

Mr. BENNETT. Yes. We don't take them out unless it is absolutely essential.

The CHAIRMAN. You say the older men would sometimes interfere with a group bonus—that is, a bonus based on the production of a group of men?

Mr. BENNETT. Yes. In an individual department every man in the department participates in the bonus, and it is of interest to each man in that department to do his utmost to establish the per cent of the bonus.

The CHAIRMAN. In case a department speeded up and earned a bonus, the bonus would go to the group in that department and be divided equally? Is that the idea?

Mr. BENNETT. Yes, sir. If they make a 20 per cent bonus they get 20 per cent added to their pay check.

The CHAIRMAN. Is that for each period, or how?

Mr. BENNETT. Each period, each half month.

The CHAIRMAN. Doctor Lubin, have you any questions to ask?

Doctor LUBIN. You said earlier, in talking to me, that you felt that by the development of statistical information you could more efficiently provide for the future and perhaps with sufficient information make provision for major cyclical depressions. Are you getting any help now from the Federal Government along that line? And do you think the Government could help you more?

Mr. BENNETT. We do use figures and get most of them from the Department of Commerce, but so far as their use in solving any problem is concerned I have always felt that the figures were late in coming and that we already had a picture of the economic condition throughout the country through our own methods.

The CHAIRMAN. If there is nothing further we will adjourn until 10.30 o'clock Monday morning.

*Report form submitted regularly by dealers to Packard Motor Car Co., showing state of dealer's business*

	1-10	11-20	21-31	Total	1-10	11-20	21-31	Total	1-10	11-20	21-31	Total	1-10	11-20	21-31	Total
<b>JULY</b>																
Gross sales																
Net sales																
Deliveries																
Shipments																
Stock																
Orders																
<b>AUGUST</b>																
Gross sales																
Net sales																
Deliveries																
Shipments																
Stock																
Orders																
<b>SEPTEMBER</b>																
Gross sales																
Net sales																
Deliveries																
Shipments																
Stock																
Orders																

(Whereupon, at 12 o'clock noon, the committee adjourned until Monday, December 17, 1928, at 10.30 o'clock a. m.)

## UNEMPLOYMENT IN THE UNITED STATES

MONDAY, DECEMBER 17, 1928

UNITED STATES SENATE,  
COMMITTEE ON EDUCATION AND LABOR,  
*Washington, D. C.*

The committee met, pursuant to adjournment, at 10.30 o'clock a. m., in the committee room, Senate Office Building, Senator James Couzens presiding.

Present: Senator Couzens (chairman) and Walsh.

Present also: Dr. Isador Lubin, economist, of the Institute of Economics of the Brookings Institution, Washington, D. C.

The CHAIRMAN. We are ready to proceed.

Doctor LUBIN. This morning we have Mr. Daniel Willard, president of the Baltimore & Ohio Railroad.

### STATEMENT OF DANIEL WILLARD, PRESIDENT OF THE BALTIMORE & OHIO RAILROAD

The CHAIRMAN. Mr. Willard, we understand that you have contributed quite considerable to the regularization of the work of employees, and we would be glad to have you tell us in your own way what you have accomplished; what your experience has been in that direction.

Mr. WILLARD. Mr. Chairman, I haven't had much opportunity since I heard from you to prepare for this hearing, and I will have to tell you out of mind and from such statements as we keep currently what we have been able to accomplish in the way of stabilization of labor on the Baltimore & Ohio Railroad. It is not for me to pass judgment on what we have done. I know that we are keeping a more stabilized force at work now than formerly and before we began to give serious thought to the matter. That I do know. Whether we have done as much as we ought to do is another matter. I am quite sure we haven't done as much as we will do, or as much as we could do under conditions which I will refer to later on.

The first inquiry in your questionnaire is, "How irregular was employment in your plants before you attempted to stabilize it?" That is almost like asking "How large is a piece of butter?" because there is no real standard to measure it by. If we were to take the year 1922, the year of the shopmen's strike, I recall that we hired 42,000 men within a period of six weeks. They nearly all left after seven or eight weeks. The turnover was pretty rapid just then. The next year, 1923, we had unusually large forces in almost all the departments because we were trying to make up what we had lost the

year previous, and our forces were much larger than they should be normally, particularly in the mechanical department. Since that time we have shown a gradual trend downwards in the number of men that are employed and less variation during the year.

Here is a statement which we prepare every month showing the number of men employed in the different departments and the total man-hours worked, and you will see by that that the tendency during the last five years, from 1923, has been quite consistently downward all the time and the fluctuations have been less marked. Taking 1923 as a standard, our turnover was probably not less than 20 per cent—between 20 and 25 per cent, I suppose. To-day our turnover is probably less than 10 per cent, so there has been a distinct improvement. We not only employ substantially fewer men but the men we do employ work more regularly.

I have some charts here that may throw some light on that matter. I will explain in a general way what this print means. These white lines up and down show the fluctuations of business during the different parts of the year, and of course our business on the railroad responds very closely to the business of the country, because, generally speaking, if there is not freight to move, we do not run freight trains, and if there is an unusually large amount of freight demanding movement we run an unusually large number of trains. That isn't true of the passenger business.

(The chart referred to by Mr. Willard faces this page.)

The CHAIRMAN. In that connection, when your volume of freight increases or decreases, do you work the men longer, or do you put more men on?

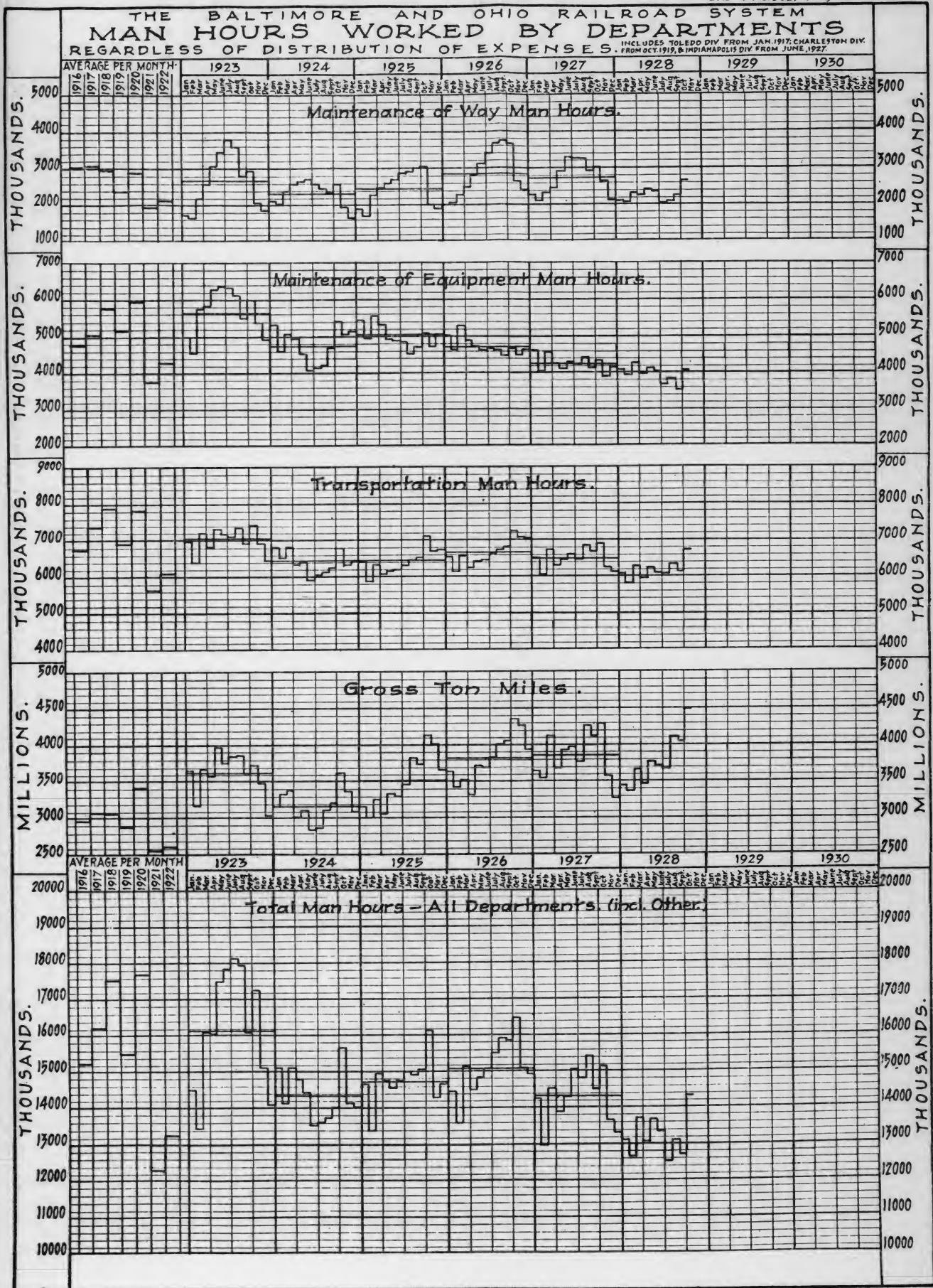
Mr. WILLARD. No; we don't work them longer, because in the majority of instances if the men work over their established hours they get paid at the rate of time and a half for doing it.

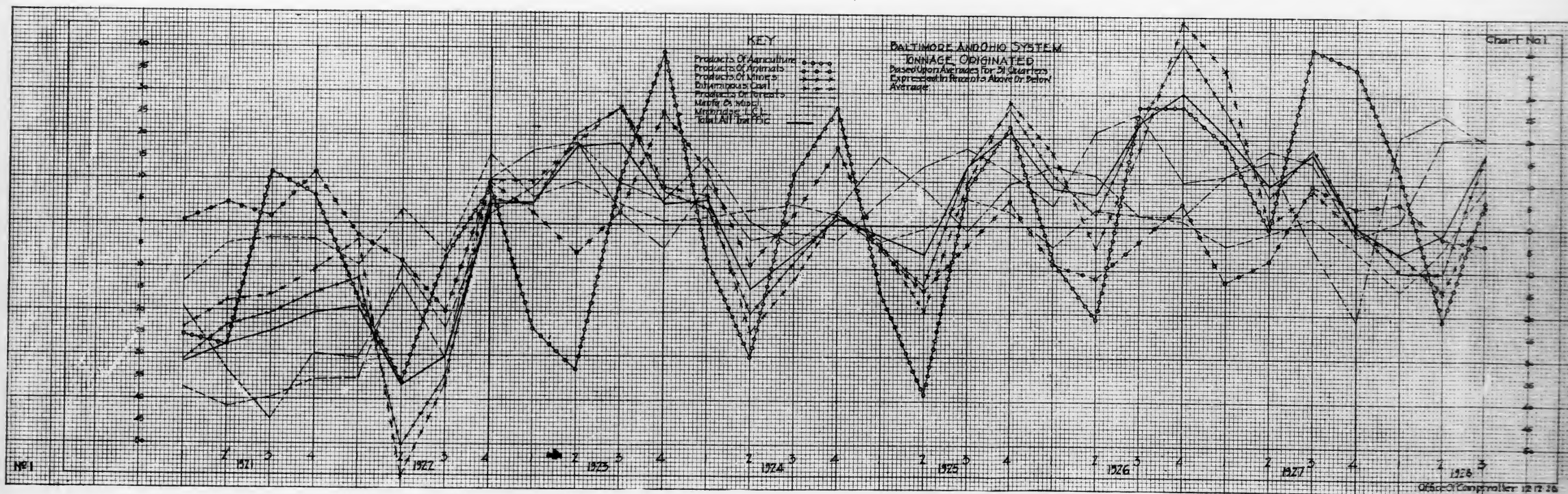
The CHAIRMAN. What I was trying to get at—the decrease in the time. Do the number of working hours per man come down?

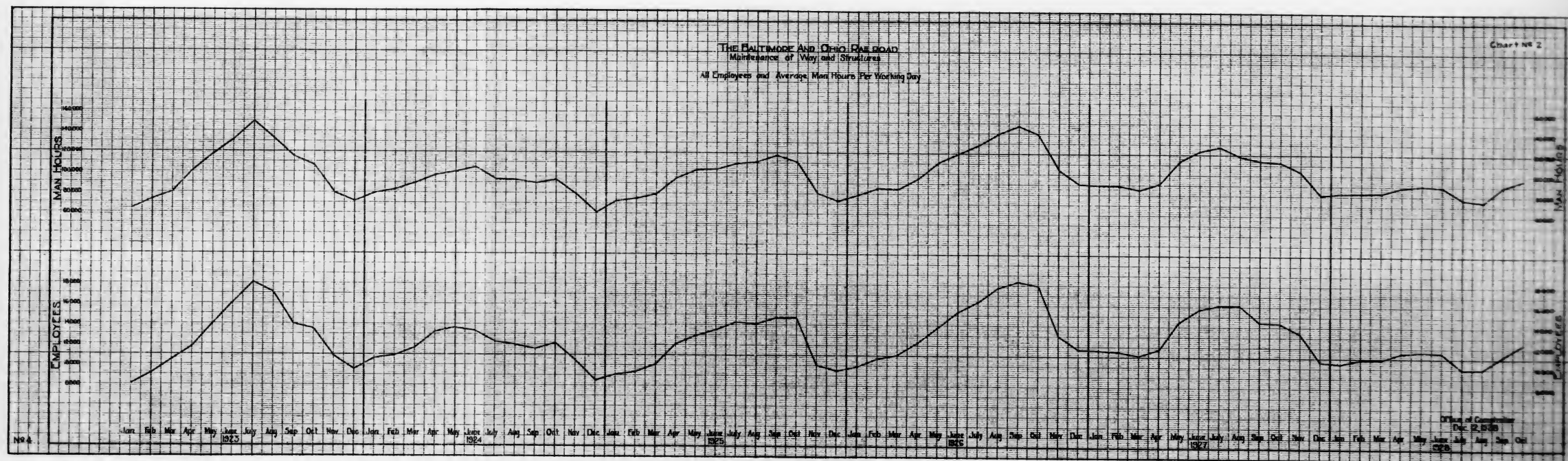
Mr. WILLARD. No; the number of working hours per man do not change much, but the number of men changes, but in the train service, which I was referring to, that matter adjusts itself. I do not know of anything we can do to stabilize train service unless we have stabilized business so that the same amount of business is to be moved all the time. Suggestions have been made in that connection that if large consumers of coal, for instance, including the railroads, would in the summer months anticipate their needs for the winter months and store coal that would mean a more even operation of the railroads. Not much has been done that way, but there are possibilities, and those possibilities are encouraged in the hard-coal business, as you perhaps know, by reducing the price of coal, say 50 cents a ton, the 1st of April, to induce people to ship during the summer to keep the mines going.

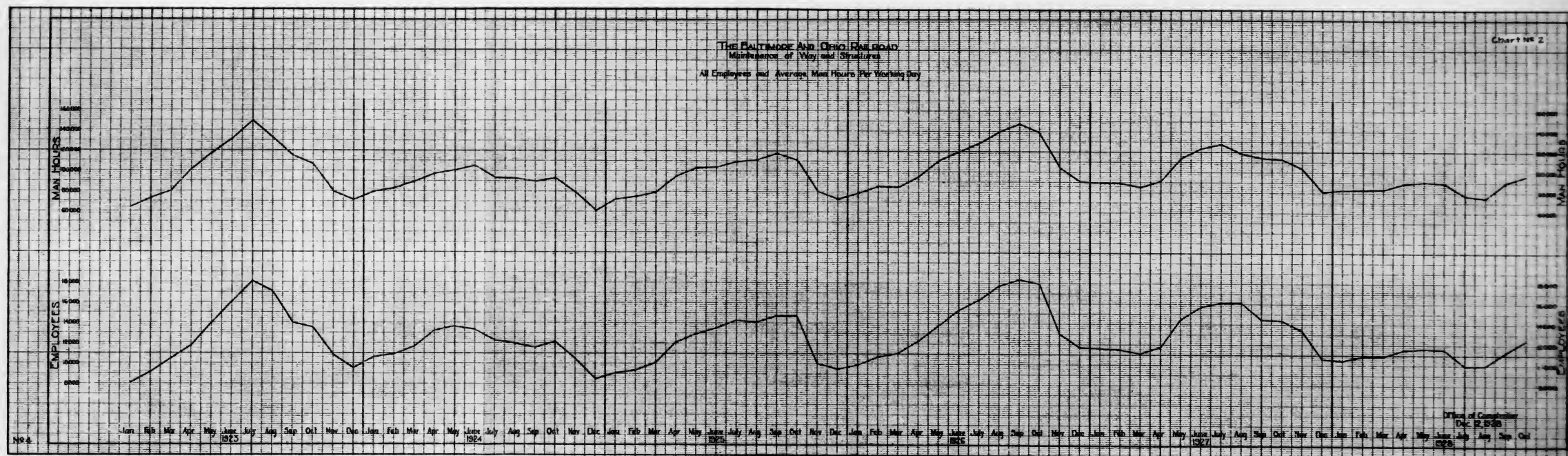
This line on the print shows the greatest variation and represents the movement of agricultural products. Grain moves more promptly now than ever before. Wheat is now cut and loaded into the car on the same day, and it goes forward by rail as fast as they can cut it.

Trainmen and enginemen work when trains run, and they do not work when the trains do not run. That is understood. Probably about 80 per cent of the maximum force works pretty steadily all









the year in the train service. There might be at times from 10 to 15 per cent, sometimes 20 per cent, that would be on short time. They would only run when extra trains required their services. At such times the engineers might go back to firing, the firemen would go back perhaps to work in the roundhouse, and the younger men would be laid off temporarily. That is something that we have not been able to change very much in the way of stabilization, because we must respond to the needs of the public for transportation.

With the passenger service, that condition is different. It is pretty well stabilized in any event, and I say "in any event" because at the present time we are running perhaps 2,000,000 more train-miles than we were eight years ago, and only half as many people riding. We have been obliged to maintain a minimum service. That does not fluctuate like freight.

Senator WALSH. Is that true of all railroads?

Mr. WILLARD. To a greater or lesser extent; I think the decrease in number of people riding is due to the development of the automobile.

Senator WALSH. The bus?

Mr. WILLARD. Yes; the bus takes a good many; but as nearly as we can estimate, the largest taking away from the railroad is by the individual automobile.

The CHAIRMAN. Before we get to that, could you say what per cent of the total workers are engaged in the train service?

Mr. WILLARD. About 20 per cent. If business picks up very rapidly, we frequently have to put on more clerks and more yardmen, and if it drops off substantially some of them are taken off.

The CHAIRMAN. When you say 20 per cent, that means 20 per cent of your employees are on trains and engines running back and forth?

Mr. WILLARD. On trains running back and forth; and the train service reacts directly with the condition of the business. That we can't help very much. Here I have a chart showing something of conditions in the maintenance-of-way department. In that department considerable has been done to stabilize employment. That line shows the number of men employed, and below is shown the man-hours that those men were employed; and these are different years [indicating on chart]. Now, in that year, 1923, our business was very good and we employed a large force. At the end of the year when the cold weather came on the force was largely reduced. The next year we didn't put on as many. Finally, we get down to this point last year. We ran a very uniform force except in July and August this year.

The CHAIRMAN. What caused that?

Mr. WILLARD. Well, the outlook wasn't very good for business early in the year and we didn't put the men on.

The CHAIRMAN. But you cut them off?

Mr. WILLARD. Yes; in July and August. We made our budget at the beginning of the year and we thought our earnings at the end of the first quarter would be better than they were, but they actually showed a decrease for that period and we didn't know whether the last half was coming out the same, so we reduced our force temporarily until we could see what was going to happen, and then we put them on again. The previous year it went through pretty steadily.

In any event, you can see that this line is less wavy than this line [indicating on chart]. This represents the total hours that these men worked. So we did accomplish considerable toward stabilization in that year.

The CHAIRMAN: That just raises the very point in which I think perhaps the committee is more interested than anything else. That question of dropping off employees when the earnings go down, or when there is in sight a depression in business. That seems to be the most depressing part of all the unemployment situation. You, with all of your interest in the subject, and we believe it is great, have adopted the very plan which seems to be the most troublesome one and the one causing the most suffering. Do you believe that there is any way that that may be obviated?

Mr. WILLARD. Yes, I think it may be. First of all, we have had to do what we have done without any assistance by legislation or any other way.

Stabilization can be promoted more by a state of mind than almost anything else that I can think of, because what we have accomplished on the Baltimore & Ohio is largely the result of a different state of mind or point of view. It reflects a conscious desire to improve and stabilize working conditions in one period compared with a less conscious and impelling desire in another period. This apparent indifference, you might say, should be criticized and apologized for, and I do apologize for it, but it reflects the way I had been brought up; and when I say "I" I think that applies rather generally to a great part of all those who employ labor. I know that previous to the war we didn't think it wrong to hire 5,000 or 6,000 new men in the summer for track work, such as putting in rails and ties, and do it as quickly as possible, and then lay them off. We had always been following that plan, at least to a large degree.

When there was plenty of work throughout the country for these men so that they could work with us a period and then go somewhere else and get employment—in the timber, in the harvest fields, or anywhere else, we weren't conscious of imposing a hardship on them by our practice. Sometimes we took men from Mexico and they would work awhile in the north and then go back to Mexico. None of us was impressed at that time with the idea, at least I was not, that we were doing any particular injustice to any one.

Before the war this matter never had been stressed much by anybody. After the war we were confronted in this country with a very large unemployment problem. Probably it was most serious during the demobilization of the soldiers. It was constantly referred to in the papers. We had during Federal control and a short time thereafter upwards of 2,000,000 men employed on the railroads, and then we gradually cut the number down to a million six or seven hundred thousand. It had been reduced three or four hundred thousand. Not only that, but the number of those who were working was fluctuating up and down rather violently. That leads us to the question as to why they were fluctuating up and down. This was due largely to inadequate earnings at that time. In the transportation act Congress has stated the rate of return which it thought the railroads should be permitted to earn. Of course, it is generally known that for the first two or three years after the termination of Federal control we fell far short of earning the rate of return specified in

the transportation act; in fact, we never have reached it up to this moment. But the situation was particularly trying through the years 1921, 1922, and 1923. Strikes in the meantime were happening and the whole economic condition was much upset, and we felt it on the railroads as everybody else did. In 1920 the railroads were called upon to move more business, and did move more than ever before, and then business dropped down very suddenly. It was pretty hard to stabilize employment under such circumstances. Nevertheless, the problem was there, and one of the members of the Interstate Commerce Commission brought the matter to the attention of different railroad executives. He talked to myself, among others, and urged that the railroads should see if there wasn't something they could do to stabilize the employment of their men. Well, the result of that was that the Association of Railway Executives passed a resolution emphasizing the importance of doing what could be done to stabilize employment, and a committee was appointed to investigate the matter and report upon it. It so happened that I was chairman of that committee.

The CHAIRMAN. What date was that?

Mr. WILLARD. That resolution was passed on September 18, 1924. We had been talking about the matter before then, but this was the first time that we gave it serious consideration. The committee didn't report for some time. First of all we hadn't any combined data on the matter and we had to start new reports from all over the United States because conditions were far from uniform throughout the country. For instance, in the Northwest it was customary for the railroads to push their work of maintenance in the spring, and employ all the men they could use and be prepared to lay them off in July and August so that they could go into the harvest fields. That was the usual arrangement in that section. In the South it was different. Where the Baltimore & Ohio runs it happens to be 'twixt the North and South, with still other conditions. We gave the matter careful study. This chart was prepared for the committee [referring to chart between pages 8 and 9 in pamphlet entitled "Stabilization of Employment on the Railroads," which pamphlet is appended hereto]. This shows the variation in the earnings of the roads on the top line, and the bottom line shows the percentage rate of return on the property investment of the carriers.

The CHAIRMAN. How many roads does this cover?

Mr. WILLARD. All the class I railroads in the United States. This line shows the man-hours worked. It becomes more uniform in 1925 and 1926 than it was during the preceding years. I can leave this with your committee, if you wish.

The CHAIRMAN. We would be glad to have it.

Mr. WILLARD. I didn't have time to work up such a report as that for all the roads and bring it up to date, but we did bring the Baltimore & Ohio figures up to date. I may have given you this one already.

Senator WALSH. I have one.

Mr. WILLARD. This is substantially the same thing.

Senator WALSH. I notice, Mr. Willard, that you seem to have had fewer employees during the past year, but that the stabilization of their employment was better than at any other time since 1923.

Mr. WILLARD. Yes, we had fewer employees than we had before that time.

Senator WALSH. Did your business increase, or drop, during that year?

Mr. WILLARD. Our business this year was less than it was last year, but that wasn't wholly the cause of what you are referring to. I have something here that will show you, perhaps.

Senator WALSH. Was that a general condition with the rest of the railroads?

Mr. WILLARD. I think largely so.

Senator WALSH. I am trying to find where the Republican prosperity is.

Mr. WILLARD. Since you put it that way, I will have to give the matter further consideration.

Now, here is a statement showing the man-hours employed in the maintenance of equipment department, and the number of men and the number of man-hours worked have steadily gone down, and this year, you will see, it is almost a straight line. Last year it was pretty nearly so [indicating on chart].

Now, that is accounted for this way: 1923 was the year following the strike, and we had a lot of deferred maintenance to make up; also it was a very good year for the Baltimore & Ohio. It was the largest year in point of earnings we have ever had.

The CHAIRMAN. That was during a Republican administration.

Mr. WILLARD. Quite so, during a Republican administration. Our earnings were good and we employed as many men as we could to advantage. I am referring now to the mechanical department. At the end of the Federal control our equipment was much below the standard of condition generally maintained in railroad practice. Then the strike came on and accentuated the situation—this shows the peak of employment in 1923 in our effort to overcome the immediate effects of the strike.

The CHAIRMAN. Those repairs grew out of the war?

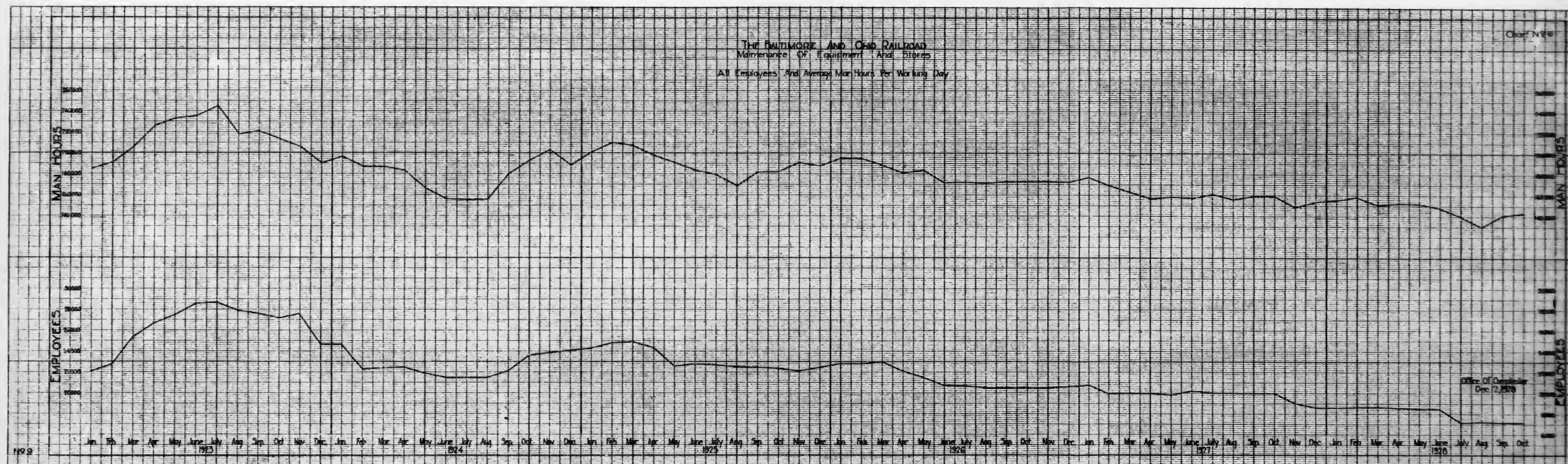
Mr. WILLARD. Yes, that is right. As time went on we gradually caught up and our forces gradually came down. So that to-day we have seventeen or eighteen thousand employed in our mechanical department, while back here [indicating on chart] one time we had as high as 28,600; and those men who are working now are working much more steadily. Now, a number of things have contributed to bring this about, which I will now refer to, if you wish me to, or I will follow through with this maintenance of way statement and chart. They are two separate things. This stabilization problem, as I have already said, became acute after the war.

Senator WALSH. Was the motive self-interest, or was it altruism?

Mr. WILLARD. Partly each, perhaps; it certainly was not all self-interest, because I didn't feel at the time that we would be much benefited by it directly. I think now that we have been, by keeping a more steady force, and I think that has also tended to reduce our costs, although that wasn't the impelling motive.

Senator WALSH. The reason I asked you was that some of the employers have argued that it was really from the standpoint of self-interest.

Mr. WILLARD. I can not say that was the actuating motive with us in the beginning. Later on I am quite sure we realized, how-



ever, that it was not only a good thing from the standpoint of the men but was also a good thing from the standpoint of the company.

If I may digress a moment I would like to refer briefly to a phase of our present economic situation because in my opinion it has a most important bearing on questions such as the one we have been discussing. Within the last two or three generations, chiefly, there has come about in this country a very important change which has a far-reaching influence. I refer to the change which was made possible by and consequently followed the invention of the steam engine, and which was stimulated largely, if not wholly, by that invention.

Before the invention of the steam engine and for a considerable period thereafter, industry in this country—and I assume generally in other countries as well—was carried on in large degree in small units. I remember when I was a boy in New England the local shoemaker, working in a room in his own home, for a number of years made the shoes which I wore. He was an independent and self-supporting unit. He owned a small home, surrounded by a small garden, and by his own labor in his own home, with material which he purchased himself, he made a living for himself and his family. Many similar instances might be mentioned. Now our shoes, speaking generally, are made in Lynn, Mass., Endicott, N. Y., St. Louis, Mo., and other places where large factories have been constructed, where large numbers of men and women are employed, and where shoes are produced in mass quantity at prices much less than they could be produced for in the old-fashioned way that I have mentioned above. Consequently the independent shoemaker has almost ceased to exist.

This economic change which has transformed the business of making shoes and clothing, and in fact nearly all of the things we consume, has fundamentally changed the status of those who are so employed from what it was before the invention of the steam engine. Presumably this change has been beneficial to society as a whole; otherwise it would not have come about; its development would not have been encouraged; but if society receives the benefits flowing from such a system, it must also accept the responsibilities connected with such a plan.

What I mean, more specifically, is this: Workers—men and women—in large numbers have been brought together in different communities where manufacturing could be carried on in a large way and with low operating costs. The working people, so employed, get along all right when business is good and employment steady, but when employment slackens or vanishes altogether, then the workers are left in a much more helpless situation than was the case with the local shoemaker in the town where I was born, and in my opinion society as a whole, which undoubtedly is benefited, or thinks it is, because of our large-scale production, is confronted in times of depression, and properly so, with the problems growing out of large numbers of unemployed. Society as a whole can not be indifferent to the unemployment problem, and the Baltimore & Ohio Railroad Co., as a unit of society, has a responsibility in the same direction.

Formerly, and particularly when I was a boy, there still remained an undeveloped empire west of the Mississippi River to which the young boys growing up in the East could always turn in case there

happened to be lack of employment where they lived. In fact, many went West in the spirit of adventure, who might have found employment if they had remained at home. Now, however, that empire has been occupied and it no longer affords an opportunity to the boy or man temporarily out of employment in the more thickly settled parts of our country. This also has served to accentuate the seriousness of the unemployment question which I am discussing.

For the reasons which I have mentioned, among others, it seems to me that those who manage our large industries, whatever the character of their output may be, whether it be shoes, steel, or transportation, should recognize the importance and even the necessity of planning their work so as to furnish as steady employment as possible to those in their service. Not only should that course, in my opinion, be followed because it is an obligation connected with our economic system, but I fully believe that such a course is justifiable from the standpoint of the employer, because it would tend to develop a satisfied and contented body of workmen which of itself would improve efficiency and reduce costs.

It is a dangerous thing to have a large number of unemployed men and women—dangerous to society as a whole—dangerous to the individuals who constitute society. When men who are willing and able to work and want to work are unable to obtain work, we need not be surprised if they steal before they starve. Certainly I do not approve of stealing, but if I had to make the choice between stealing and starving, I would surely not choose to starve—and in that respect I do not think I am much unlike the average individual.

The Baltimore & Ohio Railroad, as one of the units of society, ought to recognize and carry whatever responsibility rests upon it as a large employer, and I think, Mr. Chairman, that it was due to our recognition in part of the obligation which I have just been discussing, that we of the Baltimore & Ohio developed a quickened sense of the importance of anything which had to do with the stabilization of employment. I do not hesitate to say that I should personally feel very much ashamed if it were made clear to me that the Baltimore & Ohio Co. was not doing all that it could and ought to do, having due regard for the interests of the owners of the property while other employers of labor were fully meeting similar obligations.

The views which I have just expressed concerning this matter are in large degree held by all employers of labor at the present time. In any event I think there is a more universal appreciation of the obligation resting on employers because of our economic system than ever before, and this has led to what I may refer to as a changed point of view, of a changed state of mind, and it is due to that state of mind, in my opinion, more than to any other single thing that the efforts have been made in recent years which certainly have been made by employers in all lines of business, to deal with this matter in a more constructive manner.

The Baltimore & Ohio Co. has made some progress toward the stabilization of labor as you have already observed from the charts which I have presented, and the other railroad companies, I think, have been trying just as hard as we have to deal constructively and helpfully with this problem, and it may be that some of them have made even more progress than we have made on the Baltimore & Ohio. I think the fact that we have all been giving this matter more

THE BALTIMORE AND OHIO RAILROAD  
RAIL APPLIED IN MAINTENANCE  
By Quarters 1921-1928  
Office of Comptroller  
1928

Chart No. 5

TONS OF RAIL

TONS OF RAIL

1921

2 3 4 1

2 3 4

2 3 4

2 3 4

2 3 4

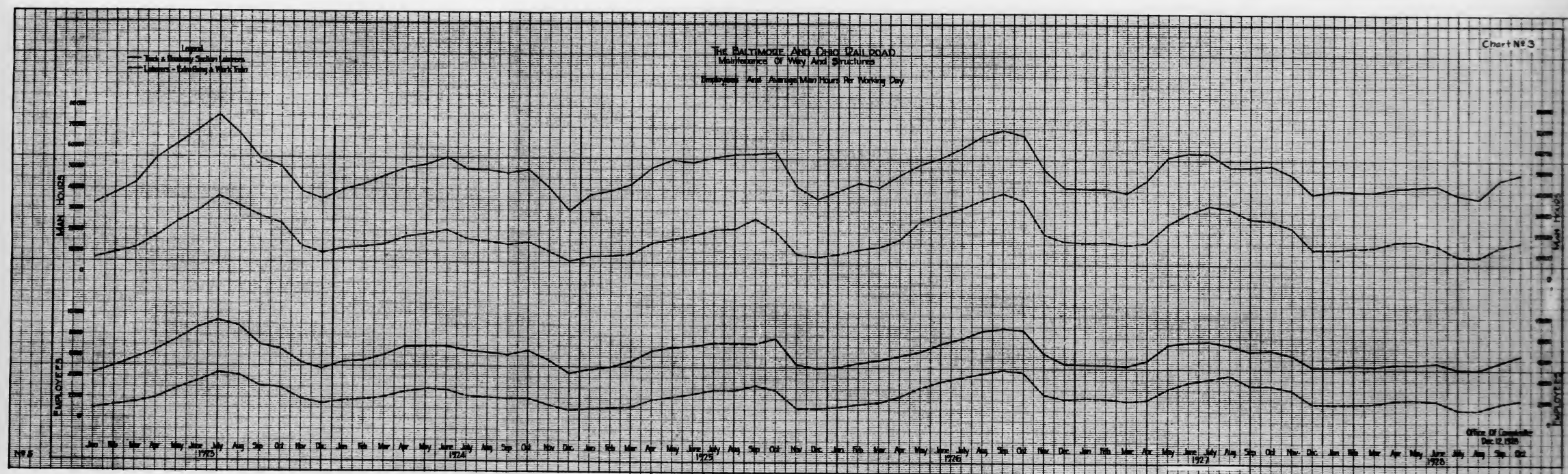
2 3 4

2 3 4

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2 3 4

12-2-28





and closer consideration than ever before, is due in part to the initiative exercised by Mr. Commissioner Potter who personally brought the matter to the attention of some of the railroad executives, and to the keener appreciation which we all have of the importance of doing what we could to correct a condition harmful not only to our employees but to the industry itself.

You will notice that at the left of this chart it shows that the largest part of our rail replacement program was carried out during the summer months, but as you look toward the right on the chart you will see an increasing amount of rail being laid in the winter months. During the winter of 1927-28, on account of favorable weather conditions, we found it possible to put in place nearly the whole amount of steel which we had ordered for replacement during the calendar year 1928. Doing this particular kind of work in the winter enabled us to keep employed during that season a larger force of men than would otherwise have been necessary and at the same time relieved us of the necessity of employing a large force of extra men temporarily during the summer months, as had formerly been the case.

Senator WALSH. What do those men do in the summer—lay rail?

Mr. WILLARD. They do not lay so much rail in the summer as formerly, for the reasons I have just been discussing. The Baltimore & Ohio Co. is obliged to apply to its tracks about 2,000,000 new ties each year in replacement of old ties worn out. This work must necessarily be done when the ground is not frozen, and then there is other work such as ditching, cleaning right of way, and repairing fences that goes on all through the summer season. In short we have found it possible by making our rail replacements in the winter time to carry a much more uniform force in the maintenance of way department during the entire year than was formerly the case.

The CHAIRMAN. But the stress of employment, however, seems to be in the wintertime and that is the time you can do the most good.

Mr. WILLARD. Quite so. This is one of the things that we have been trying to do—that is, find profitable employment for the trackmen during the winter months, and as I have already explained, we have been able to accomplish considerable in that direction. The men in the maintenance department who work on bridges, buildings, signals, and so forth, are rather steadily employed during the entire year, although there is some work of that character that can not be done during severe cold weather.

The CHAIRMAN. That is the time you could put some of these men at work laying rails.

Mr. WILLARD. Some of them, but not all of them. I said a while ago that I thought our turnover at the present time was about 10 per cent, including all classes of men. Of that 10 per cent about one-half of it—certainly more than one-third of it—is to be found with the men working on track and buildings, because their work is necessarily out of doors and is affected by the season. About one-half of our present labor turnover, as near as we can figure it, is due to men becoming old enough to retire on pension, men who voluntarily lay off for rest and for other reasons that I do not now recall, but things over which the company has no control. I should say that our labor turnover outside of the maintenance-of-way department is considerably less than 10 per cent, perhaps not more than 6 or 7 per cent.

Your second question was "By what means did you undertake to provide steady employment." I think I have already anticipated the answer to that question and have pointed out some of the means which we have made use of. Your third question: "What problems did you encounter in bringing about regular employment." I have already covered that matter rather fully. We found no serious opposition on the part of our employees. As a matter of fact we discussed the subject with them and invited their suggestions, and on the whole they have cooperated in a very satisfactory way. I might say in this connection that some years ago we developed in the Baltimore & Ohio service a relationship by means of committees consisting of representatives of the men and of the management. These committees meet at frequent intervals and the employees attending are encouraged to make suggestions concerning matters with which they are familiar, and the result of such conferences has brought about, I am certain, a much better understanding between the management and the employees in all the different branches of the service. Of course it is possible to arrange for a more intimate relationship in some departments than in others. It is rather difficult to bring about meetings between the officers and the men engaged in the maintenance of way department, because the men are spread out over so much territory, while it is quite simple to bring together committees of men and management when they are all employed at the same place or in the same shop.

In our mechanical department in 1923 we had at one time as many as 28,600 men working, while at the present time we have about 17,000. Of the number now employed I think we can say that we have steady employment for about 15,000 of them all the year round, barring some unforeseen occurrence. This will leave, of course, a margin of about 2,000, and when it is necessary, if it should be, to reduce the force in the mechanical department, we would endeavor to confine the reduction to the 2,000 men last employed. This arrangement is not completely in effect as yet, but we are endeavoring to work to it. The employees in that department are equally anxious with the management to have such an arrangement brought about.

In short, we are trying to give as many as possible of our men steady employment the year round and to reduce as much as possible the number which is likely to be affected more or less by the seasons and temporary fluctuations in business.

Your fourth question is: "How successful have you been in your effort."

I think I am justified in saying that we have reduced the labor turnover, running substantially higher than 20 per cent, to a basis not exceeding 10 per cent at the present time. I hope we may be able to reduce the percentage still more.

Your fifth question: "To what extent can similar measures be applied to other plants and other industries?"

Of course, I am unable to speak concerning other plants and other industries, and what I have said has had particular reference to conditions as they are with the Baltimore & Ohio Co. I assumed that that was what you wished me to do. There is no reason that I can think of why other railroads located in the same general

territory as the Baltimore & Ohio should not be able to accomplish just as much as we have in the way of stabilization of employment, and it may be that some of them have accomplished even more than we have. I have no definite information in that connection. You will realize, of course, that the railroads located in the extreme North are working under restrictions that do not exist in the extreme South so far as climate is concerned, nor even in the territory where the Baltimore & Ohio is located. In the northern country, where heavy snow storms occur, it is sometimes necessary for the railroads to employ all the laborers they can secure for days, or even weeks, at a time, in order to keep the tracks open so that trains may be operated. These men are employed on a temporary basis, and when the road is opened their services are no longer needed. I do not know of any way to deal with that problem other than the way in which it is being dealt with at the present time. It is an emergency situation.

We have a somewhat analogous situation occasionally on the Baltimore & Ohio, but in the summer months, due to heavy rains and high water, particularly in the Potomac Valley. Occasionally that river gets high enough from heavy rains to be 6 or 8 feet over the Baltimore & Ohio main line. When the water goes down it usually leaves a condition which makes it necessary to employ large numbers of extra men for a while in order to get the road quickly in shape for service. When the emergency is past the men so hired are paid off. That is a condition over which the Baltimore & Ohio is unable to exercise any definite control.

The CHAIRMAN. What wages do you pay under those circumstances?

Mr. WILLARD. The regular wages which we pay to our other trackmen doing the same kind of work. The wages we are paying trackmen to-day, I think, are generally higher than the wages paid for the same kind of labor by farmers and others employing unskilled labor in the same vicinity. Our established rate is 42 cents an hour for common labor working on the track.

The CHAIRMAN. For 8 hours, 10 hours, or what?

Mr. WILLARD. Forty-two cents an hour for 8 hours. Those wages were fixed by the labor board, and they have not been changed. We have good men working on track, and at the present wages they seem anxious to remain with us.

The CHAIRMAN. You mentioned that you were speaking only for the railroads. Have you any information as to what effects the ups and downs of manufacturing have on the freight traffic, what fluctuations in freight traffic are caused by those ups and downs? Of course, it goes all the way down the line. Lack of stabilization in industry affects production and that in turn affects the railroads. Of course, stabilization in manufacturing would promote stabilizing transportation on the railroads.

Mr. WILLARD. Certainly.

The CHAIRMAN. In that connection could you speak for any more than the railroads as to the desirability of stabilizing production?

Mr. WILLARD. Yes, it is desirable that production in the steel plants, for instance, should be stabilized as much as possible, and I might add that the railroads potentially could contribute very

greatly to that end. The railroads as a whole take and consume as much as 30 per cent of the total output of the steel mills in this country at certain times. Unfortunately it has many times happened that the railroads have been obliged to go into the market for other purchases of steel and steel products when business was at its peak. That is undesirable for several reasons. First, in such circumstances, the railroads are, of course, obliged to pay peak prices; and second, it means that the railroads—those that run through the steel-mill regions—are obliged to compete with the steel mills for labor. The railroads, using upwards of 30 per cent of the entire output of the steel mills, can contribute very largely to the stabilization of the steel industry if their margin of earnings were such that in times when the steel industry was slowing down because of other business letting up, the railroads could anticipate their future requirements and place orders which would tend to keep the mills more regularly employed, and then later-on, when outside demands on the steel mills increased, the railroads could reduce their purchases and give way to their needs.

It would be a good thing if the railroads were in position generally to anticipate their needs for cars and locomotives sufficiently so that they could place their orders when the outside demand was not at its maximum. If the railroads as a whole were always in position to follow such a policy, I think the effect of it would go a long way toward stabilizing business, which, of course, would mean also the stabilization of labor. Does that answer your question?

The CHAIRMAN. In part. Also to that could be added orders for future delivery so that the mills might make up the material for future delivery if necessary.

Mr. WILLARD. Well, we do that with our rails. We budget all our expenses and have been doing so for a good many years on the Baltimore & Ohio, and when we place our orders for steel rails it is generally with the understanding that the mills will roll them when most convenient for them to do so.

The CHAIRMAN. I remember meeting you one day down at the Willard, when we discussed this subject rather informally, and I remember getting the impression from you that it was considered quite possible to postpone some of this work to a time when there was an indication of the falling off of business.

Mr. WILLARD. We have done that. We have been able to do quite a bit of that, but you have to be in shape to do it.

The CHAIRMAN. What do you mean by being "in shape"?

Mr. WILLARD. I mean we must have our plant as a whole in good condition, because we probably would not be justified in reducing our force if we had for instance a lot of cars that were in need of repairs, or engines that were not in condition to run. Assuming that a railroad has its plant, including tracks, bridges, cars, and locomotives at a high or satisfactory standard of maintenance, then it would be possible to plan repairs as indicated by your question. To illustrate: We find it necessary on the Baltimore & Ohio to rebuild or give very heavy repairs each year to 15,000 or 20,000 freight cars. We have had at times quite a large accumulation of cars needing such repairs, and then if business picked up quickly it was necessary to send many of them to outside shops in order that they might be

promptly repaired and put in service. We do not do that any more. We have our cars in such condition that we are not obliged to make emergency arrangements for repairs. We have at the present time some 20 or 25 units of 50 men each working on this kind of repairs. Each unit turns out 15 cars a week thoroughly repaired. That would be 1,200 cars a month if 20 units were employed and that rate of work kept up throughout the year would very nearly keep our equipment at the proper standard. If cars needing heavy repairs show a tendency to accumulate faster than they can be repaired we can easily establish a few more units. Our effort, however, is directed towards keeping a regular force satisfactorily at work throughout the year.

The CHAIRMAN. You might also, when we are prosperous, postpone construction of new machine shops and power plants by rerouting some of the freight traffic.

Mr. WILLARD. Yes, that also could be done, provided a road was in well-balanced condition concerning equipment, repair facilities, and so forth.

The CHAIRMAN. Perhaps I didn't make myself quite clear. For instance, there has been some publicity about electrification of the Pennsylvania Railroad.

Mr. WILLARD. Yes.

The CHAIRMAN. It may be desirable to do that when the plans are ready, or, in the interest of stabilization of employment, it may be well to postpone that or any bridge work, or any work, when we are at the peak of employment, until there is a slackening of employment.

Mr. WILLARD. Yes; that would naturally come within the limits of such a policy as I have been discussing. The Baltimore & Ohio spends approximately \$2,000,000 a year for bridge replacements, and inasmuch as good practice makes it necessary to keep a substantial margin of safety in all bridges, work of this character can be, within reasonable limits, deferred or expedited as you suggest.

In railroading there are at least three important if not controlling factors that influence stabilization of employment. First of all is the matter of point of view. There must be a real desire to do all that can be done in the direction of stabilization, and that desire, if converted into action, will frequently yield surprising results. The influence of the point of view is reflected in the joint action of the railroads concerning stabilization of labor, to which I have already made reference; and in addition to a definite desire to promote stabilization there must also be the means and opportunity for doing it. By this, I mean in the case of the railroads that there must be such a margin of net earnings as will enable the companies to continue their maintenance programs, for a time at least, even though there should be a temporary reduction in business. All too frequently in the past the railroads have felt obliged to immediately reduce their expenditures in all directions whenever the business showed a tendency to fall off.

The transportation act, 1920, under which the railroads are now operating, if fairly interpreted and applied, will in my opinion ordinarily permit the railroads to have such a basis of rates and earnings as will enable them to adopt such policies as I have been

discussing. As a matter of information, I perhaps ought to say that regardless of the assurances contained in the transportation act, the railroads as a whole in the United States have not been able in any single year since the act became effective to earn the rate of return fixed by the Interstate Commerce Commission upon the total valuation, also established by the commission itself with actual additions since; and, of course, the deficit would be much greater if it were calculated on the basis of the property investment of the carriers as shown in their accounts.

Senator WALSH. How near does the Baltimore & Ohio come to that?

Mr. WILLARD. During the period that has elapsed since the end of Federal control, the Baltimore & Ohio has failed to earn the return specified in the act and by the commission by more than \$50,000,000.

The CHAIRMAN. Do you know of any case in which the railroads did agree with the commission as to what the railroads were worth?

Mr. WILLARD. No. I do not know of any such case. I think it would be a good thing if the representatives of the individual carriers could negotiate with the commission and endeavor to arrive at an agreed value. I know that the Baltimore & Ohio Co. is not seeking to obtain a higher valuation than it is justly entitled to, and we must assume that the representatives of this Government, members of the Interstate Commerce Commission, are equally honest. That being true, it should not be difficult, or if difficult it should not be impossible, to reach an agreement. Unfortunately, however, such a course seems impracticable, for reasons which are perhaps obvious and need not be mentioned in a discussion such as this.

Senator WALSH. Of course, the value fixed by the Interstate Commerce Commission is considered by the railroads as unfair?

Mr. WILLARD. Yes. I think as a whole the railroads consider that the valuations so far fixed by the commission are less than they fairly ought to be, but I repeat that even upon the values which the commission itself found for rate-making purposes in 1920, the railroads in the United States as a whole have failed to earn the return specified by the commission, even on that valuation, by something like \$1,900,000,000, covering the entire period.

The CHAIRMAN. Do you assume that the traffic would have stood that difference of a billion nine hundred million?

Mr. WILLARD. I am inclined to believe that the traffic could have stood rates necessary to yield that return, but whether it would have been wise to charge such rates in another matter. You may perhaps recall that the railroads voluntarily reduced many of their rates, particularly on farm products, 10 per cent in 1921, although at that time the carriers were not earning upon their property values one-half the rate of return specified by Congress itself. In general terms, I think the railroads are fairly entitled to earn a fair rate of return upon the fair value of their properties devoted to transportation purposes in the interest of the public. That is the measure in general terms set up by Congress itself, and it seems to me it would be very difficult for anyone to sustain the argument that the railroads ought not to be permitted to earn a fair return upon the fair value of their properties.

The CHAIRMAN. It is practically a theoretical conclusion that this rate might be earned under any and all circumstances, just because it is the measure set up by Congress.

Mr. WILLARD. I have not looked at the matter in quite that light. After all, what Congress said was this: That the commission should fix rates so as to yield as nearly as may be a fair return, recognizing, of course, that that was the only practicable way in which the matter could be handled. But evidently Congress expected that at times some if not all the railroads would earn more than a fair return, and so provided that one-half of all that any carrier might earn above 6 per cent of the value of its property should be returned to the Government. It seems to me that that fact of itself indicates that Congress expected the return would vary from time to time, and that an effort would be made to permit the railroads to earn a fair return at all times, as nearly as that might be done.

The CHAIRMAN. Do you think agriculture could stand its share of this increase of billions that you say you should have earned? Do you think agriculture should have stood it?

Mr. WILLARD. Of course, the shortage of over one billion dollars which I referred to represents an accumulated shortage extending over a period of seven or eight years. Contrary to the general belief, rates paid on agricultural products to-day are below the average of all the rates charged by the railroads, and I can think of no reason why agriculture should not be able to pay, and required to pay, rates as high as the average, although it is a fact that ever since I have been acquainted with the matter, agricultural rates as a whole have been much below the average, considered from the standpoint of their profitability, and generally below the average when considered on the basis of the rate paid per ton-mile. One reason, at least, why it has been so difficult for the Interstate Commerce Commission to establish what the Hoke Smith resolution evidently expected would come about is, I repeat, because the rates on agricultural products are already generally below the average, and clearly could not be made lower unless something else above the average were made higher, in as much as the total earning from all the rates have not yielded the fair return contemplated in the act. I have here a chart showing the relative earnings of the different commodities handled by the Baltimore & Ohio Co., and you will find on this chart confirmation of the statement which I have just made concerning rates on agricultural products and their comparisons with rates on other commodities.

Senator WALSH. What general per cent of increase would be required to meet the provisions of the law based upon the present valuation by the Interstate Commerce Commission?

Mr. WILLARD. I can not definitely answer that question. I can say this, however, that the increase needed would be very small. As I recall, all of the railroads in 1927 fell short some \$200,000,000 of earning the return fixed by the commission.

Senator WALSH. What per cent of increase in rates would that be?

Mr. WILLARD. If my recollection is right an increase of 4.3 per cent on the rates of all freight traffic handled would have yielded that amount.

Senator WALSH. Because the volume is so great?

Mr. WILLARD. Yes; because the volume is so large.

Another element has come into the situation since the termination of the war. Previous to the war, and for a long time, the business handled by the railroads had shown a very satisfactory increase year by year, reflecting, of course, the general increase in the business of the country. Since the war the business of the railroads has not shown the same rate of increase as before the war; in fact the railroads have shown very little, and some of them no increase at all since the termination of Federal control. If the total business of the railroads was increasing to-day as rapidly as was the case before the war and if the present rates were permitted to remain in effect, the railroads would undoubtedly be able in a short time to earn the fair return fixed in the act without any increase of rates, as has been suggested. As a matter of fact, however, freight rates are constantly going down. That was true before the war and it has been true since the war, and that tendency is likely to continue. Some of these reductions to which I have referred have been ordered by the Interstate Commerce Commission and some have been made by the railroads themselves in response to commercial conditions. My point is that reductions actually have been made and experience of the past justifies the belief that the tendency of railroad rates will continue downward. Such a situation could only be met and offset by constantly increasing business or by reduced operating costs with the same volume of business.

The CHAIRMAN. Assuming that you didn't have that traffic at all, and there hadn't been any reduction in rates, would you have been worse off or better off?

Mr. WILLARD. I am not quite sure that I understand your question, but of course some business at some rate, provided the rate was sufficiently high to yield something above expenses, would be better than no business at all with a higher rate.

The CHAIRMAN. So that even if you didn't earn as much as you thought you ought to have earned on that tonnage, you would be worse off if you hadn't had the traffic at all?

Mr. WILLARD. I am inclined to think that statement is true. Ordinarily and within certain clearly established limits, it would probably be better to carry freight at lower rates than not to carry it at all. My reason, Mr. Chairman, for referring to this phase of the railroad problem, that is to say, the matter of earnings, is because it should be recognized that there is a very definite relation between earnings of the railroads on the one hand, and the ability of the railroads on the other to maintain service, stabilize labor and equalize their purchases so as to stabilize industry as far as may be possible.

If the carriers were permitted to earn the rate of return which Congress obviously considered fair—otherwise the transportation act would not have been written as it was—I have no doubt that the railroads would be able to do much more than has been done in the way of stabilizing business by a more equal distribution of orders. The railroads in some years have used as much as 30 per cent of all the steel manufactured in this country, over 28 to 30 per cent of all the soft coal produced, from 25 to more than 30 per cent of the lumber manufactured and, as I recall, some 15 per cent of the copper produced. The railroads are large users of material and on that

account can contribute substantially toward the stabilization of business.

I do not think I have anything further to suggest at this time.

The CHAIRMAN. Have you any questions you want to ask, Senator Walsh?

Senator WALSH. This is a little aside from our discussion here. I want to inquire about your employees' magazine. It impresses me as being a great influence for promoting the morale of the employees.

Mr. WILLARD. I hope it is. It is costing us \$60,000 or \$70,000 a year to publish it, and we justify that expenditure in our own minds on the ground that it leads to a better understanding and promotes loyalty.

Senator WALSH. It has impressed me as one of the best things I have ever seen in America for developing and maintaining a high standard of morale.

Mr. WILLARD. We feel that way about it.

Senator WALSH. How about the insuring of your employees?

Mr. WILLARD. The Baltimore & Ohio Co. has had in effect for many years a plan designed to encourage thrift and to provide a certain measure of insurance for its employees. If you desire, I can leave here the 40th annual report of our relief department. We have no outside group insurance.

Senator WALSH. It doesn't provide for unemployment relief?

Mr. WILLARD. No; just old-age retirement.

Senator WALSH. All the railroads have that system, more or less?

Mr. WILLARD. No; I think not. The Baltimore & Ohio was one of the first to adopt a system of that kind. It may interest you to know that we have to-day in our custody over \$18,000,000 deposited by our employees, upon which we pay them 5½ per cent interest.

Senator WALSH. How do you invest the money?

Mr. WILLARD. At the present time over \$11,600,000 is loaned out to our employees at 6 per cent per annum for the purpose of building homes. We encourage our employees to buy or build homes and we do what we can to assist them in that direction. If they become sick or temporarily out of employment because of depressed business, we assist them in carrying their payments. Since this arrangement was inaugurated 46 years ago, our employees have bought or built homes aggregating in cost more than \$60,000,000, against which there is outstanding at this time about \$11,600,000, which they are paying off from month to month.

Senator WALSH. All these opportunities promote thrift which is encouraged in your magazine; it brings it home to them.

Mr. WILLARD. Yes; I think it is a good thing. I think our relief department is a good thing. In effect the men themselves each month contribute a certain amount of money from their wages to be held and used for relief purposes if and when necessary. It might be said that each of them puts a certain amount of money in the hat each month and the company holds the hat. It costs the company about \$1,000 a day to hold the hat. The railroad company takes care of the money, pays all of the administrative purposes, and accounts to the employees for all the money which they pay in. Every penny put in by employees goes back to them, with no deductions whatever for administrative purposes.

**STATEMENT OF O. S. JACKSON, GENERAL SUPERINTENDENT OF  
MOTIVE POWER AND MACHINERY, UNION PACIFIC SYSTEM,  
OMAHA, NEBR.**

The CHAIRMAN. Mr. Jackson, you have heard the statement of Mr. Willard?

Mr. JACKSON. Yes.

The CHAIRMAN. Can you add anything in the way of what you have done toward stabilizing employment on the Union Pacific system?

Mr. JACKSON. I have heard Mr. Willard describe, with a great deal of interest, the situation on the Baltimore & Ohio, which is in general quite similar to that on the Union Pacific system, and I shall endeavor to answer the questions which you have asked in writing of our president, Mr. Gray, who conveys his regrets at not being able to come personally before the committee at this time.

We have given this problem of stabilizing employment in the railroad industry a great deal of study and consideration. It is a problem of considerable magnitude, especially on the Union Pacific System where the spread between the maximum and minimum monthly income during the year is over 75 per cent. There is also a considerable fluctuation in revenues from one year to another. The problem itself is not only different as between the railroad industry and other industries, but between individual railroads as well.

Our study of the situation on the Union Pacific lines showed that the chief factors of fluctuation are instability of income and traffic, and seasonal and climatic conditions. These factors are more or less constant so far as the Union Pacific system lines are concerned; in fact the fluctuation in income was somewhat greater in the year 1927 than in the year 1923 when the present plan was adopted. The abnormal conditions existing prior to that year made adherence to a definite program of stabilization practically impossible.

Expenditures are necessarily relative to revenues, and during periods of lean earnings reduction in expenses must be accomplished in a measure at least by reduction in force. Nevertheless, our efforts to minimize irregularity of employment have met with gratifying success. The results we have accomplished have been achieved by distributing as far as possible over light traffic periods heavy repair and maintenance work—which can be done advantageously in such periods. This not only tends to stabilize forces but enables us to prepare for the peak period of traffic when every available locomotive and car is required.

Seasonal and climatic conditions are largely controlling in the performance of roadway maintenance work. They affect equipment maintenance forces to a lesser degree. In the territory served by the Union Pacific extending from the Missouri River to the Pacific coast, the weather varies from extreme heat in the desert and southern sections to extreme cold in the Middle West and Northwestern States.

Not all of the classes employed in the railroad industry are subject to instability of employment. Only those classes working directly in connection with train operation, which is governed entirely by train conditions, and forces engaged in maintenance work affected both by traffic and climatic conditions, are subject to violent fluctuations.

The professional and clerical group which includes technical and office forces, and the transportation group of other than train and engine employees, that is, train dispatchers, agents, telegraphers, inspectors, and station forces, enjoy practically regular employment. These groups comprise approximately 28 per cent of the total. Train and engine service employees are directly affected by the volume of traffic and provision is made under their working schedules with the company for certain mileage regulations, under which forces are increased or reduced when mileage fluctuates beyond specified limitations.

The maintenance forces comprise approximately 56 per cent of the total. There are two major groups, one engaged in the maintenance of the right of way and structures and the other in the maintenance of locomotives and cars. Budgets are prepared quarterly each year covering maintenance expense. Yearly budget is also prepared covering addition and betterment work to be undertaken during the year. Rail renewals, tie renewals, overhauling of power and equipment, and other work which can be anticipated is reviewed and spread out over the yearly period to the greatest extent possible consistent with undertaking the work during suitable weather and the requirements in connection with heavy traffic during the fall.

Advice of projects that are approved is given sufficiently in advance of the first of the year to permit of spreading the work out over light traffic periods to the maximum possible extent. It is not practicable to renew rail, ties or ballast during the extreme cold winter months, nor is it practicable to do outdoor painting during such months. The range in full-time positions of those classes regularly employed in maintenance of way work in which the greatest amount of instability occurs is reflected in a statement which I have had prepared and which I will read into the record at this point [reading]:

*Range in full-time positions, Union Pacific system; maintenance of way and structures*

Class	Per cent of range			
	Year 1923		Year 1927	
	Below average	Above average	Below average	Above average
Carpenters.....	31	23	12	11
Masons, bricklayers, plasterers and plumbers.....	16	14	9	9
Painters.....	68	70	59	46
Helpers.....	55	54	31	29
Gang or section foremen.....	5	7	2	1
Track and roadway section laborers.....	33	35	76	22

Now, Mr. Chairman, you understand, of course, that addition and betterment or new construction work must at times necessarily involve temporary employment. That can not always be avoided. The fluctuation in such forces does not represent unemployment for the class of individuals affected. These forces are comprised largely of men recruited from other sources within the industry or from other fields of employment to which they usually return upon

completion of the temporary work for which they are engaged by the railroad; in fact, it is desirable that these forces be released as far as possible during the harvest period or at such times as their services are required in the agricultural field.

While forces in the maintenance of equipment department are not affected as seriously by climatic conditions, they are affected to a very considerable extent by traffic conditions. Notwithstanding our budget practice under which heavy repair work is performed as far as possible during periods of light traffic, any appreciable falling off in business affects the amount of work to be performed. The extent of repairs and maintenance depends largely upon the use of the equipment, and if any substantial amount of it is entirely out of service or used to a comparatively small extent over a given period of time, less repair and maintenance work will be required.

Under our stabilization plan, a definite program of heavy repairs is formulated prior to the year in which the work is to be done. In this manner heavy repairs are distributed throughout the year and to the fullest possible extent concentrated in the light traffic months. This not only enables us to put the power in condition to handle heavy traffic movement but also to alternate the forces between heavy and light repair work. We have also inaugurated a car-building program conducted in accordance with a definite specific program that is followed throughout the year without regard to fluctuation in traffic. The range of full-time positions in the mechanical department in the years 1923 and 1927 is shown in another statement which I should also like to read into the record [reading]:

*Range of full-time positions, Union Pacific system; maintenance of equipment and stores*

Class	Per cent of range			
	Year 1923		Year 1927	
	Below average	Above average	Below average	Above average
Machinists.....	12	11	6	5
Boiler makers.....	14	11	6	5
Blacksmiths.....	15	9	13	7
Electricians.....	7	5	7	5
Sheet-metal workers.....	13	16	5	3
Passenger-car men.....	14	5	7	7
Freight-car men.....	17	29	13	10
Helpers.....	23	13	13	11
Apprentices.....	19	13	3	5

The CHAIRMAN. That shows a very reduced fluctuation, does it not?

Mr. JACKSON. Yes.

The CHAIRMAN. Have you any exception to make to Mr. Willard's remarks as to the ability of the railroads to stabilize?

Mr. JACKSON. No; Mr. Chairman, I followed Mr. Willard very closely and I have no exception whatever to any part of what he said.

Senator WALSH. I suppose you agree with him in his references to the Interstate Commerce Commission and his reference to the present law?

Mr. JACKSON. Yes; Senator, I think they would apply to railroads in general.

Now, Mr. Chairman, the statement I just read into the record represents practically regular employment for most of the classes of employees shown therein, and the situation for the year 1928, for which the figures are not yet available, shows an even greater improvement over 1927.

In addition to the analysis of work in the maintenance department and the steps taken to stabilize forces with the result outlined above, we have also cooperated to the fullest possible extent with shippers in stabilizing the movement of traffic. Recognizing that the purchase of materials and supplies during periods of light traffic stimulates industrial activity and results in increased traffic movement, railroad purchases are made as far as possible in periods of light traffic, not only to take advantage of more favorable market conditions but to provide for their movement when equipment is not required for commercial use.

Arrangements have also been made for the movement as far as possible of nonrevenue traffic during periods of light revenue traffic. Commodities such as coal for current consumption and certain kinds of material and supplies must necessarily move at all times, but where possible, lumber, ties, ballast, and rails are distributed during periods of light traffic.

The CHAIRMAN. Have you anything to add in the way of suggestion to what Mr. Willard has said?

Mr. JACKSON. I haven't anything to add, Mr. Chairman, other than that I might emphasize what we consider a real necessity in the solution of this important problem, that the railroads and other industries study the situation and be willing to carry out or be sold to the idea of stabilizing their affairs.

The CHAIRMAN. In other words, it is the will to do, isn't it?

Mr. JACKSON. The will to do; yes, sir. In our locomotive department prior to 1923, during the months of July, August, September, and October we would have our shops full of men—all of the mechanics and employees we could get. We would have our shops full of locomotives and those men repairing them. We have devised a system, and are gradually improving it, whereby we distribute that work more evenly throughout the year. We schedule our locomotives for shopping, for the heavy repairs, for the leaner months when our business is not so heavy, or for months when the locomotives are not so much needed to move the business. We are following that plan, and when our work in the general repair shop decreases we transfer those employees to our roundhouse where they take care of the running repairs, thereby stabilizing the general force.

(The following material was submitted by Mr. Jackson for the consideration of the committee:)

## Number of full-time positions, Union Pacific system; maintenance of equipment and stores

Classification	Number of full-time positions												Per cent fluctuation			
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Monthly average year	Minimum below average	Maximum above average	
YEAR 1923																
Machinists.....	2,170	2,136	1,966	2,086	2,075	2,144	2,271	2,232	2,362	2,211	2,096	1,871	2,135	12.4	10.6	
Boilermakers.....	818	795	730	750	773	822	881	853	890	858	793	665	804	13.6	10.7	
Blacksmiths.....	3,141	3,117	2,884	2,883	3,069	3,223	3,225	3,229	3,223	3,225	3,092	2,963	3,063	15.5	8.6	
Passenger-car men.....	3,141	3,117	2,884	2,883	3,069	3,223	3,225	3,229	3,223	3,225	3,092	2,963	3,063	14.1	4.9	
Freight-car men.....	3,141	3,117	2,884	2,883	3,069	3,223	3,225	3,229	3,223	3,225	3,092	2,963	3,063	14.1	4.9	
Electricians.....	4,063	4,009	3,711	3,890	3,937	4,000	4,000	3,992	4,000	3,992	4,000	3,992	4,000	29.1	29.1	
Sheet-metal workers.....	4,063	4,009	3,711	3,890	3,937	4,000	4,000	3,992	4,000	3,992	4,000	3,992	4,000	17.5	4.9	
Helpers.....	1,029	1,000	946	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	13.8	15.9	
Apprentices.....	1,029	1,000	946	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	22.4	13.1	
YEAR 1927																
Machinists.....	1,702	1,743	1,710	1,708	1,830	1,812	1,845	1,838	1,918	1,907	1,878	1,801	1,823	5.9	5.2	
Boilermakers.....	629	611	600	624	624	624	624	624	624	624	624	624	624	6.4	4.5	
Blacksmiths.....	2,181	2,181	2,181	2,181	2,181	2,181	2,181	2,181	2,181	2,181	2,181	2,181	2,181	13.7	6.9	
Passenger-car men.....	2,181	2,181	2,181	2,181	2,181	2,181	2,181	2,181	2,181	2,181	2,181	2,181	2,181	13.0	10.1	
Freight-car men.....	2,181	2,181	2,181	2,181	2,181	2,181	2,181	2,181	2,181	2,181	2,181	2,181	2,181	13.0	10.1	
Electricians.....	2,181	2,181	2,181	2,181	2,181	2,181	2,181	2,181	2,181	2,181	2,181	2,181	2,181	3.0	5.2	
Sheet-metal workers.....	2,181	2,181	2,181	2,181	2,181	2,181	2,181	2,181	2,181	2,181	2,181	2,181	2,181	3.0	5.2	
Helpers.....	2,181	2,181	2,181	2,181	2,181	2,181	2,181	2,181	2,181	2,181	2,181	2,181	2,181	4.9	2.8	
Apprentices.....	2,181	2,181	2,181	2,181	2,181	2,181	2,181	2,181	2,181	2,181	2,181	2,181	2,181	13.3	11.0	

Source: Compiled from data reported by the individual system lines on I. C. C. Wage Statistics, Form A, according to method prescribed by committee on stabilization of Employment, Association of Railway Executives—I. C. C., multiplying the number of working days in the month by the straight-time hours per day and dividing the product into the total hours paid for.

OMAHA, December 15, 1928.

## Total operating revenues, Union Pacific system

Month	Year 1923		Year 1927	
	Amount	Relative monthly average, 100	Amount	Relative monthly average, 100
January.....	\$15,433,610	88	\$13,742,564	81
February.....	13,596,085	77	13,285,092	78
March.....	16,109,459	92	15,322,499	90
April.....	15,650,888	89	14,128,600	83
May.....	16,087,037	91	14,865,202	88
June.....	16,389,949	93	15,427,491	91
July.....	16,391,067	93	15,719,915	93
August.....	19,058,604	108	20,210,546	119
September.....	21,577,642	123	22,208,758	131
October.....	24,304,916	138	24,589,369	143
November.....	20,349,341	116	18,260,091	108
December.....	16,369,868	93	16,136,465	95
Total for year.....	211,318,465	-----	203,891,622	-----
Monthly average.....	17,609,872	100	16,990,969	100

Omaha, December 15, 1928.

(The following is taken from the agreement between the Union Pacific lines and the Shop Employees' Association, Union Pacific system, and refers to the accepted policy of the company toward stabilizing employment:)

## ARTICLE 13—STABILIZATION OF EMPLOYMENT

The work performed by the classes of employees subject to this agreement, being governed by fluctuations in traffic and seasonal conditions, this article is designed to provide a means of cooperation between the employees and management to reduce to the minimum the increases and decreases in the number of employees, by regulating the bulletined hours of assignment.

(a) When necessary to make temporary increase in or reduction of expenses at any point or in any department or subdivision thereof, either forces, hours, or both, may be increased or reduced, subject to the provisions of article 12 (a), provided:

1. That in no case shall the aggregate of the bulletined hours of the week be less than 40 or the days per week less than 5, except when reduction in expenses can be met only by closing the shop, and/or weeks in which specified holidays occur by the number of such holidays.

2. That the maximum number of bulletined hours per week on 6-day assignments shall not exceed 54, and on 7-day assignments shall not exceed 63.

3. That the bulletined hours of assignment shall be so regulated that the average hours per day for the working days in a year, of employees who are regularly employed, shall average eight as nearly as possible, except as it may be affected by mutual arrangement between the officers and committees at point affected.

(b) Before the force or working hours in any shop, department, or subdivision thereof, is increased or reduced, the local representatives of the employees affected will be consulted in order to arrive at a mutual understanding as to whether the increase or reduction shall be made in force or hours, or by an increase or reduction in both force and hours: *Provided*, That employees who have been in the service less than 90 days shall be laid off before hours are reduced, except that sufficient number of such employees may be retained in any one craft as are necessary to maintain balanced forces.

(c) In the adjustment of forces, employee will take the rate of the job to which assigned, seniority as per article 4 (a) to govern.

The CHAIRMAN. We thank you very much, Mr. Jackson. The committee will adjourn until to-morrow morning at 10.30 o'clock. (Whereupon, at 12 o'clock noon, the committee adjourned until to-morrow, Tuesday, December 18, 1928, at 10.30 o'clock a. m.)

## UNEMPLOYMENT IN THE UNITED STATES

TUESDAY, DECEMBER 18, 1928

UNITED STATES SENATE,  
COMMITTEE ON EDUCATION AND LABOR,  
*Washington, D. C.*

The committee met, pursuant to adjournment, at 10.30 o'clock a. m., in room 412, Senate Office Building, Senator James Couzens presiding.

Present: Senators Couzens (chairman), Copeland, and Walsh of Massachusetts.

Present also: Dr. Isador Lubin, of the Institute of Economics, Washington, D. C., special assistant to the committee.

### STATEMENT OF JAMES T. LOREE, VICE PRESIDENT AND GENERAL MANAGER OF THE DELAWARE & HUDSON CO.

The CHAIRMAN. Mr. Loree, will you please give the stenographer your name and address and state what company you represent?

Mr. LOREE. James T. Loree, vice president and general manager of the Delaware & Hudson Co., Albany, N. Y.

The CHAIRMAN. We will be glad to have you proceed in any way you like.

Mr. LOREE. I have a statement prepared, from which, if you allow me, I will read, and will be glad to answer any questions.

The problem of stabilizing employment has been the subject of study by the management of the D. & H. for a number of years. In general, it has been the broad subject of employment and, specifically, how on a railroad property of some thousand miles of road, some 10,000 to 15,000 men might day in and day out be assured of steady work.

The development of the industrial system consequent to the advance in facilities of communication has revolutionized the old economic order. The economic change has reached further and been effected in a shorter time than in any other period of the world's history. Its effect has been greatest upon each of the three fundamental elements of industrial life—management, capital, and labor.

Other employees, like the individuals of management, desire, and rightfully expect, continuity of employment, good wages, and good conditions under which to work.

The requirements of a railroad, unlike most industries, make necessary continuous operation, and while in times of depression a certain curtailment of service is possible a certain amount must be maintained throughout the 24 hours of every day in the year.

The railroad employees are divided into 6 major classifications, subdivided into 148 minor classifications.

*Major classifications.*—Executives and their assistants; professional and clerical; general; maintenance of way and structures; maintenance of equipment and stores; transportation employees.

Our problem existed in regard to 66 per cent of the employees, some 10,000, working in the maintenance classifications.

It was early recognized that one of the most serious hardships for a man with a family was to lose his job and have to find a new one, but the realization that the railroad sustained a loss, both financially and in its morale, came much later.

It will be noted in chart No. 1 that in the year 1920 the maintenance of way employees numbered: Maximum, 4,200; minimum, 2,750; variation, 145. In 1922: Maximum, 4,200; minimum, 2,400; variation, 1,800.

Maintenance of motive power, chart No. 2, 1920: Maximum, 3,310; minimum, 3,265; variation, 45. In 1922: Maximum, 3,112; minimum, 2,346; variation, 766.

Maintenance of other rolling stock, chart No. 3, 1920: Maximum, 2,540; minimum, 2,121; variation, 419. In 1922: Maximum, 2,535; minimum, 1,278; variation, 1,257.

These figures illustrate the irregularity of employment as to numbers, but do not indicate the further irregularity caused by business depression when, for periods ranging as high as 30 days, shops were closed and the track forces only used to patrol and replace broken ties and rails.

A study of this situation disclosed that business depression and the seasons caused at least a part of this irregularity. In the last quarter of a century in only one year did traffic increase more than 25 per cent and in only one year did it decrease more than 20 per cent. These major disturbances seem to occur at approximately 20-year intervals with minor depressions at 5-year intervals. That in our north country, from the middle of October to the 1st of April, replacement of ties and ballast is impossible.

The construction of new yards, bridges, and main tracks, the construction or reconstruction of shops, and items of similar nature tended to necessitate new forces to do the work, and such forces were disbanded as a particular job was finished.

An examination of our experience indicated that there was a loss in the full working time of the year, by sickness, 3.14 per cent; accidents, 0.16 per cent; vacations, 1.94 per cent; or a total of 5.24 per cent, a loss greater than the total effect of the minor depressions, and equal to about one-quarter of the most violent depression.

To meet the problem of affording steady work throughout the year, a policy was laid down of:

First. Budget for the year, both for maintenance and for improvement of the property, being a part of a 5-year program—this program to be revised annually.

Second. Nonrevenue freight—i. e., fuel, rails, ties, ballast, and other company material—to be moved when revenue traffic is light because of seasonal variations. Thus, our rail is bought in September, delivered in November and December, and laid in January, February, and March.

The CHAIRMAN. Would you mind if I interrupted you there for a moment?

Mr. LOREE. No, sir.

The CHAIRMAN. Previously in your statement you have said that a part of the irregularity of employment was caused by the fact that it was impossible to place ties and ballast at certain seasons, because of the temperature, and so on, I suppose.

Mr. LOREE. Yes.

The CHAIRMAN. Does that effect the rails, too?

Mr. LOREE. No; we lay rails at all times.

The CHAIRMAN. That can be done without disturbance on account of the season?

Mr. LOREE. Yes; that is affected by two things. First of all, we know that in weather that is moist, like the damp weather in the early part of March, there is a certain natural lubrication that takes place that reduces the wear, because the rail is laid tight gauge; consequently, by putting the rail down and putting in the ties, by April 1—all the ties must be in by the 1st of July—our new ties are only spiked once, whereas otherwise we have to go back and regauge and put two spike holes in a tie. By this method you only have to spike the tie once; so that the new establishment of employment and management has turned out successful from a management standpoint.

Third. An elastic day, ranging from 8 to 10 hours, depending upon business conditions. Forces to be maintained until less than 48 hours per week work is provided, and no new men hired until 60 hours had to be exceeded.

Fourth. Work arranged so that program covered 12 months of the year.

Fifth. A group insurance against the major hazards of life—death, sickness, accident, total disability, dismissal.

Sixth. Careful employment and exchange of employees between departments.

Seventh. Graduated wage scales: (a) Piece-work. (b) Skill and length of service.

The detailed execution of such a policy developed at once, and continues to develop, new problems.

We had a force built up upon the old plan, too large to fit the new plan, and extra work had to be provided in some cases and men placed in other departments.

Seasonal work, such as large building projects and road construction, offering for a short time employment at higher hourly wages, interfere greatly with the plan of step rates.

The anthracite strike of September, 1925, caused a most serious situation, and we quote from the letter addressed by the president of the company to all employees, in part as follows:

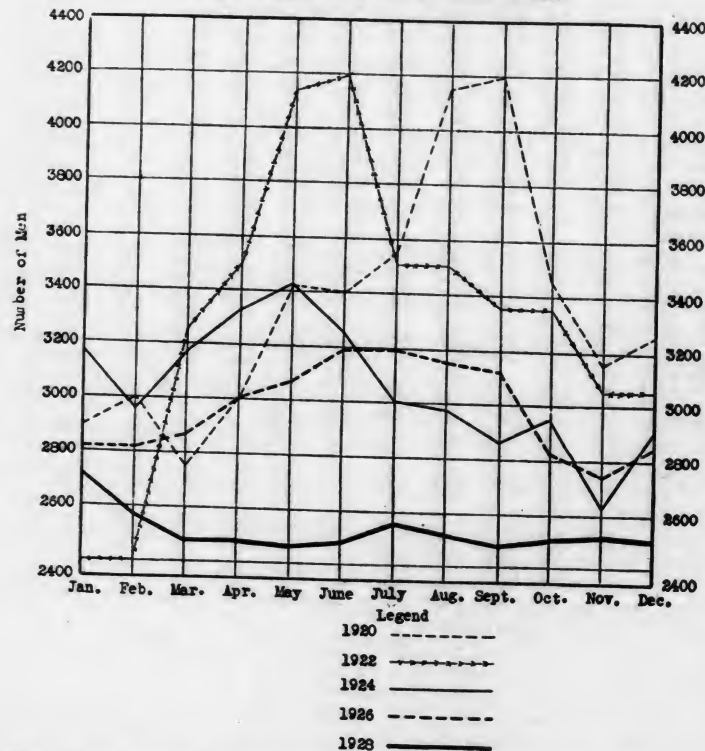
In the experiment we are jointly conducting to stabilize employment conditions, the burden of the first real test has fallen upon the management. They feel no cause to regret having frankly faced their responsibilities. With the resumption of business our bad-order locomotives are not more than 11 per cent, and the bad-order cars 3.6 per cent, so that the growing traffic can be cared for without embarrassment. The forces are filled with men who are acquainted with each other and with the practices of the company. I should like to emphasize that this is only one indication of the great importance to the employees that the corporation in whose service they are should be kept prosperous and in a high state of credit, which alone make such action possible.

This adherence to policy entailed the immediate expenditure of \$1,900,000, whereas under the old plan such expenditure might have been deferred until business improved.

Men growing old in the service slow up in many of the more arduous jobs and must be placed elsewhere.

In line with a program of concentrating locomotive and car repairs at fewer shops, we were obliged to absorb some 400 men.

CHART No. 1  
THE DELAWARE AND HUDSON COMPANY  
MAINTENANCE OF WAY AND STRUCTURES DEPARTMENT  
AVERAGE NUMBER OF EMPLOYEES OF ALL CLASSES



The 10 per cent of the employees of a low level of mental efficiency incline to take holidays whenever they choose, wasting much time loitering, unwilling to accommodate themselves to a state of discipline.

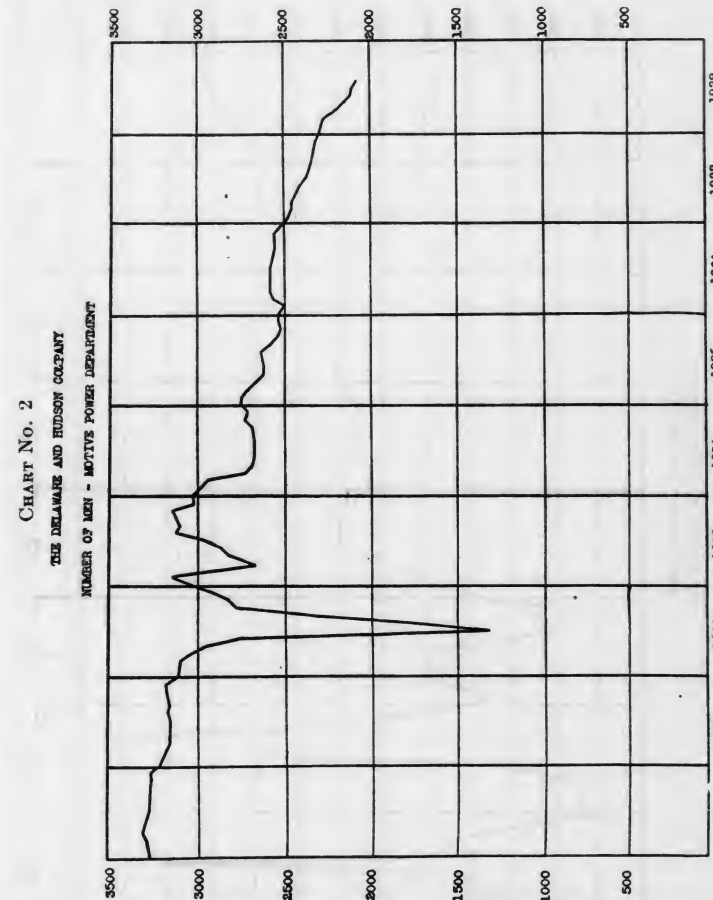
Fortunately, we encountered to only a small degree the usual distrust that innovations usually experience.

Only to a degree have we been successful.

It will be noted in chart No. 1 that in the year 1924 the maintenance of way employees numbered, maximum, 3,400; minimum,

2,625; variation, 775—1926, maximum, 3,200; minimum, 2,750; variation, 450—1928, maximum, 2,725; minimum, 2,475; variation, 250.

Maintenance of motive power, chart No. 2: 1924, maximum, 3,021; minimum, 2,670; variation, 351—1926, maximum, 2,587; minimum, 2,500; variation, 87—1928, maximum, 2,315; minimum, 2,052; variation, 263.



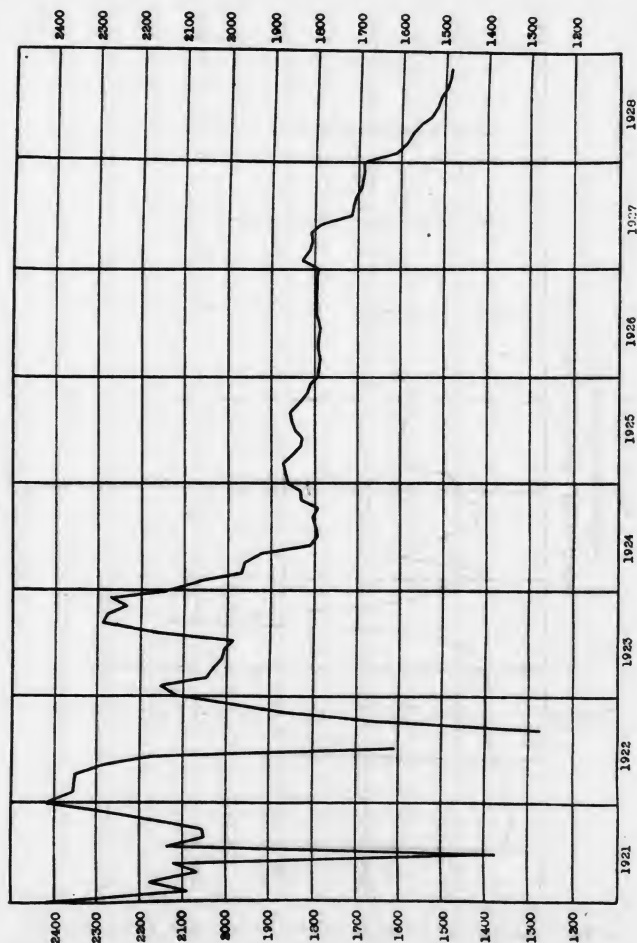
The CHAIRMAN. At that point let me ask, why did the variation jump up from 1926 to 1928?

Mr. LOREE. Because men had left our employment. In order to get our forces normalized or stabilized as men have left employment, their positions have been abolished; so that that is not turnover, that is simply vacant positions that we will never fill again.

The CHAIRMAN. So that you are getting along with 2,052 men with the stabilized forces?

Mr. LOREE. Yes. You see, we had all these men who were with us from the old plan, and we did not want to turn them adrift, so that they were kept, and we made as much work as we could for them, or put them elsewhere; and as they voluntarily left the service or died, their positions were never filled again. We are getting down to a stabilized force now.

CHART No. 3  
THE DELAWARE AND HUDSON COMPANY  
NUMBER OF MEN - CAR DEPARTMENT



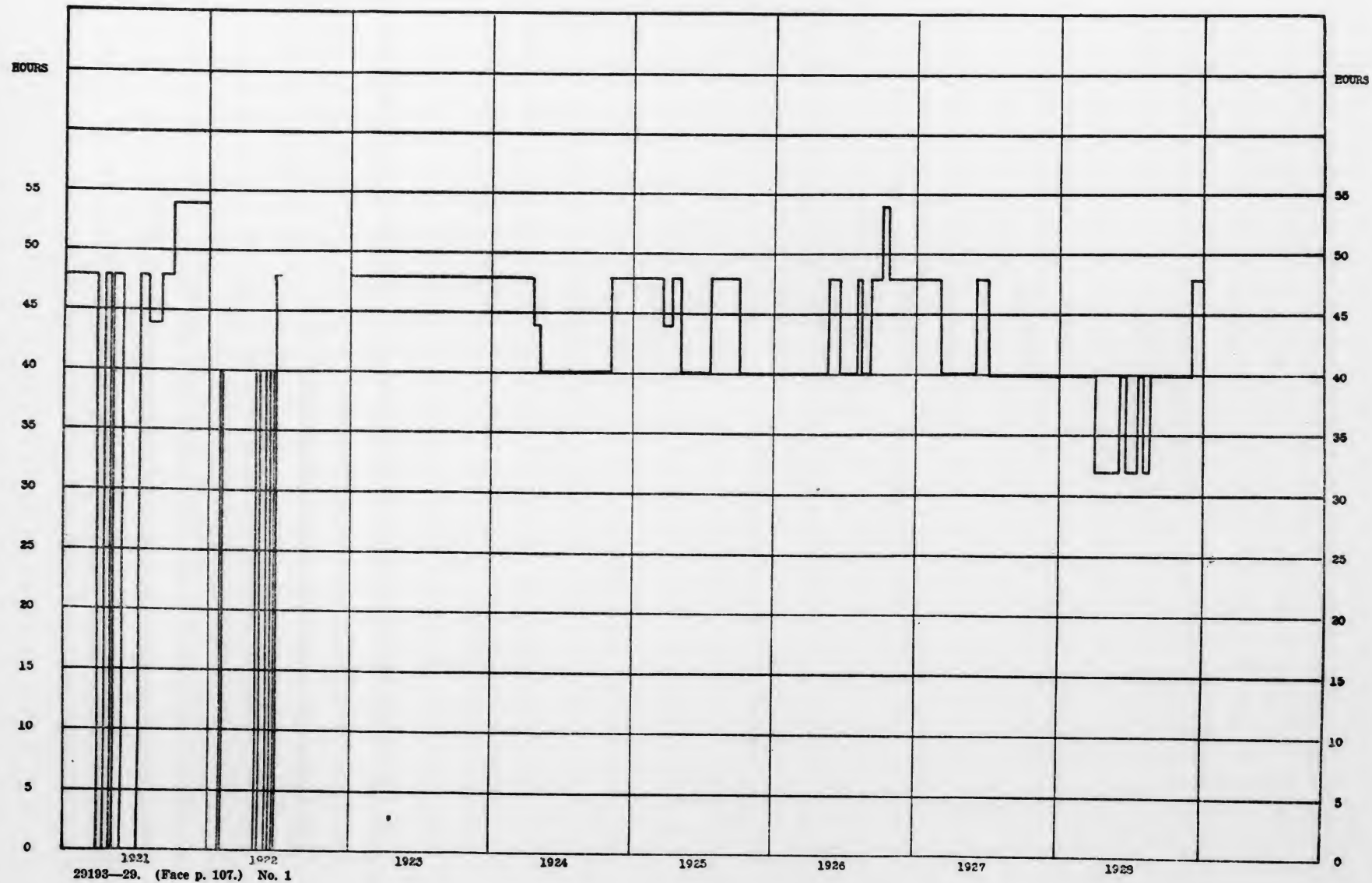
Maintenance of other rolling stock, chart No. 3: 1924, maximum, 2,070; minimum, 1,796; variation, 274—1926, maximum, 1,799; minimum, 1,788; variation, 11—1928, maximum, 1,614; minimum, 1,480; variation, 134.

The CHAIRMAN. I assume that the same explanation applies to that?

CHART No. 4

THE DELAWARE AND HUDSON COMPANY

WEEKLY HOURS OF SERVICE - CAR DEPARTMENT



# CHART No. 5

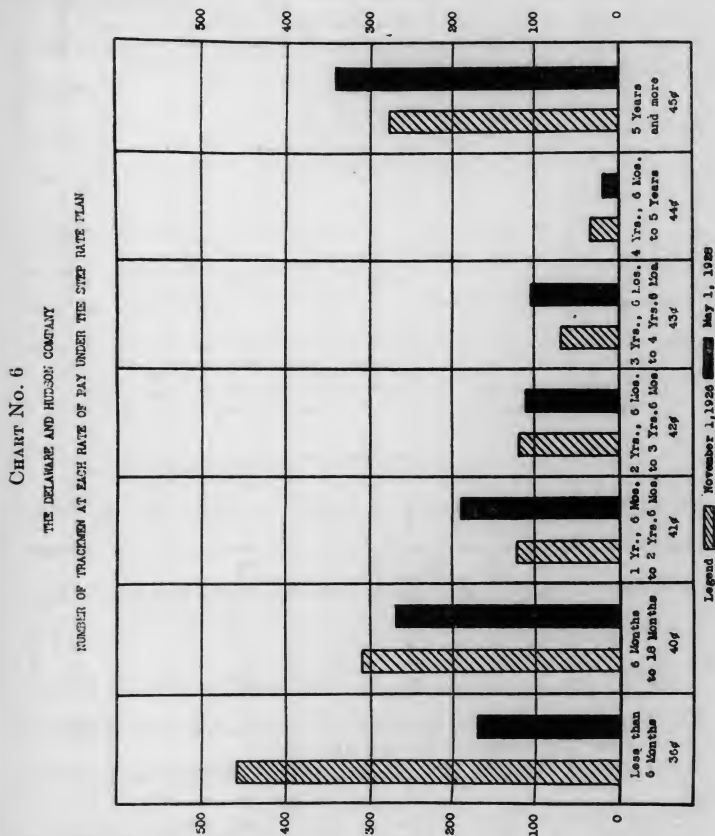
THE DELAWARE AND HUDSON COMPANY

WEEKLY HOURS OF SERVICE - MOTIVE POWER DEPARTMENT



Mr. LOREE. Yes; during the last year on account of business conditions, more men stayed in the service, and so those positions did not become vacant. This year more men have gone elsewhere for work, so that more positions were abolished.

Charts Nos. 4 and 5 show the working hours during these years, indicating that for all employees in the locomotive and other rolling stock departments, the hours per week range between 54 and 32, with no shutdowns.



In other words, the minimum number of hours with those employees I have just enumerated was 32, and the maximum was 54.

The CHAIRMAN. Yes; it is very clearly indicated on the chart, what was done.

Mr. LOREE. Yes. In times of good business, the men have participated in same by greater earnings.

Our force of long-service employees is increasing, as indicated by chart No. 6, showing the effect of step rates for laborers. On May

1, 1922, we had 2,117 employees with less than six months' service; on November 1, 1928, 714.

Fifty-nine per cent of our employees have completed five or more years of service:

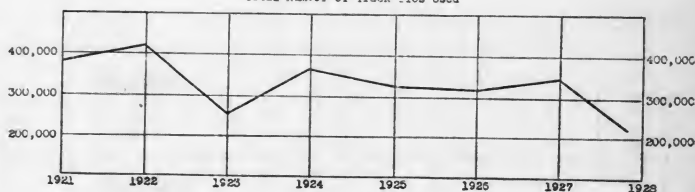
10 or more years.....	4,516
20 or more years.....	2,647
30 or more years.....	865
40 or more years.....	346
50 years or over.....	53

Our policy, with all the changes made necessary thereby, has entailed payment in six years of dismissal insurance on account lack of work to only 50 employees.

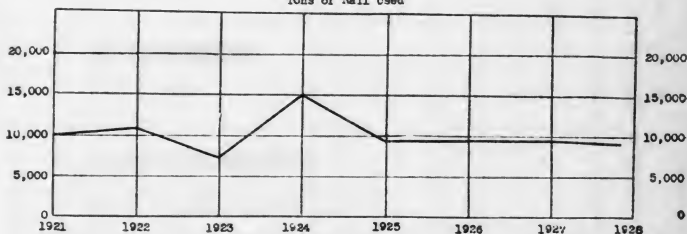
CHART No. 9

THE DELAWARE AND HUDSON COMPANY  
MAINTENANCE OF WAY DEPARTMENT

Total Number of Track Ties Used



Tons of Rail Used



The CHAIRMAN. Pardon me; are you going to give us something that describes the dismissal of employees?

Mr. LOREE. I thought you would perhaps develop that by questions.

The CHAIRMAN. Yes.

Mr. LOREE. In order to indicate the variations of business met during the period, chart No. 7 shows the gross ton-miles and total freight car-miles, and as a measure of work performed, chart No. 8 gives material charges for repairs to locomotives and freight cars, and chart No. 9 shows ties and rails used, the two major items of maintenance and way material.

That our policy in whole or in part can be applied to other industries depends upon the conditions peculiar to the industry. It is, however, felt that a study of their cases might indicate, in their

CHART No. 7

THE DELAWARE AND HUDSON COMPANY

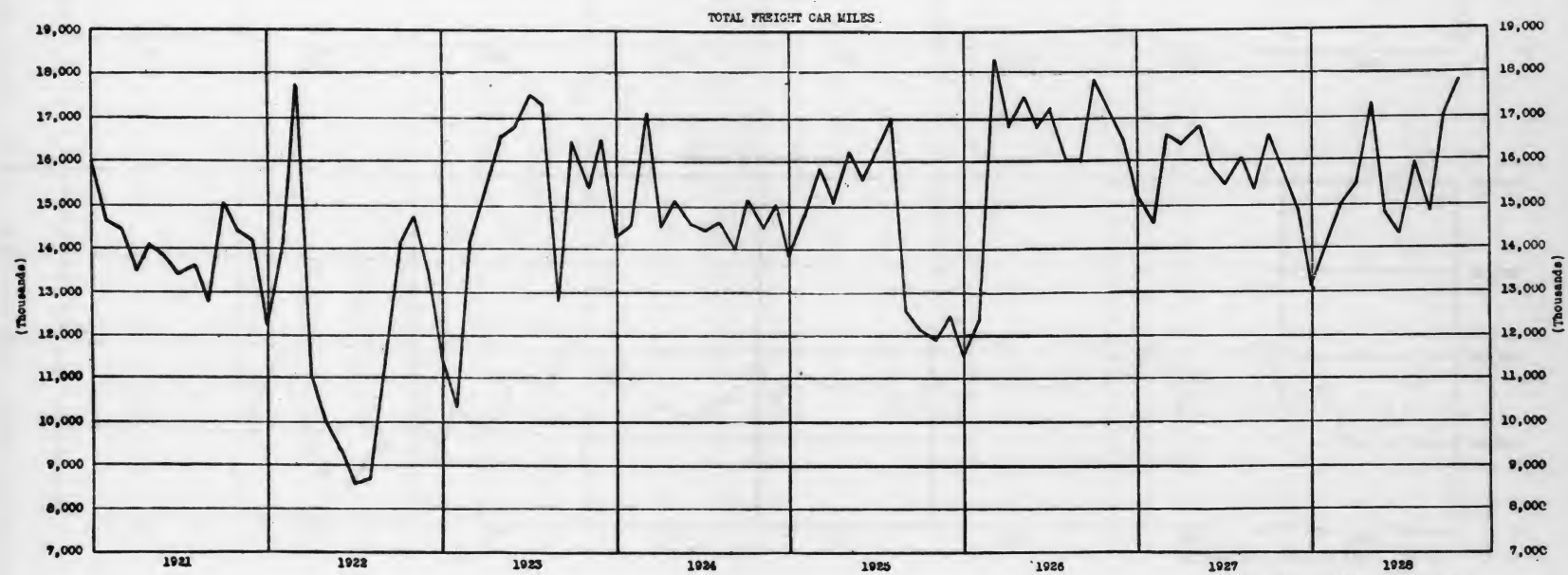
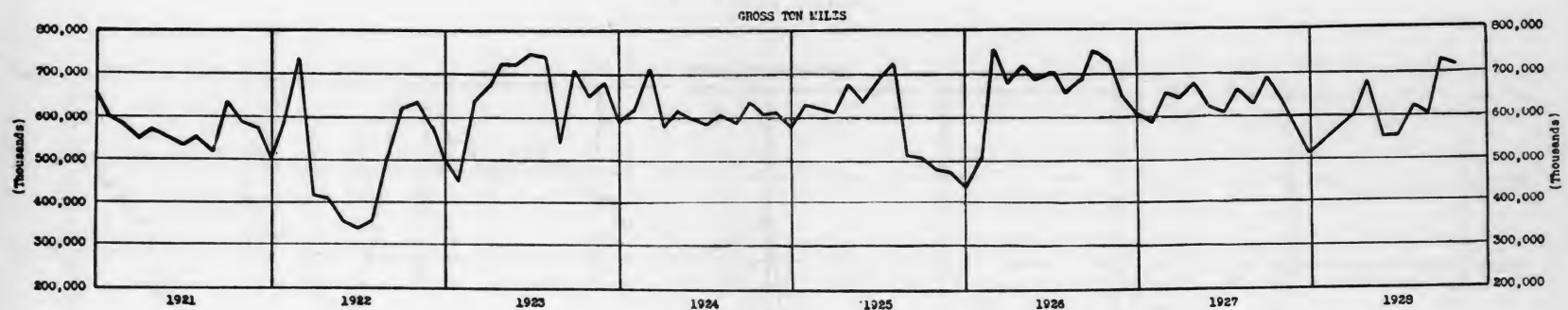
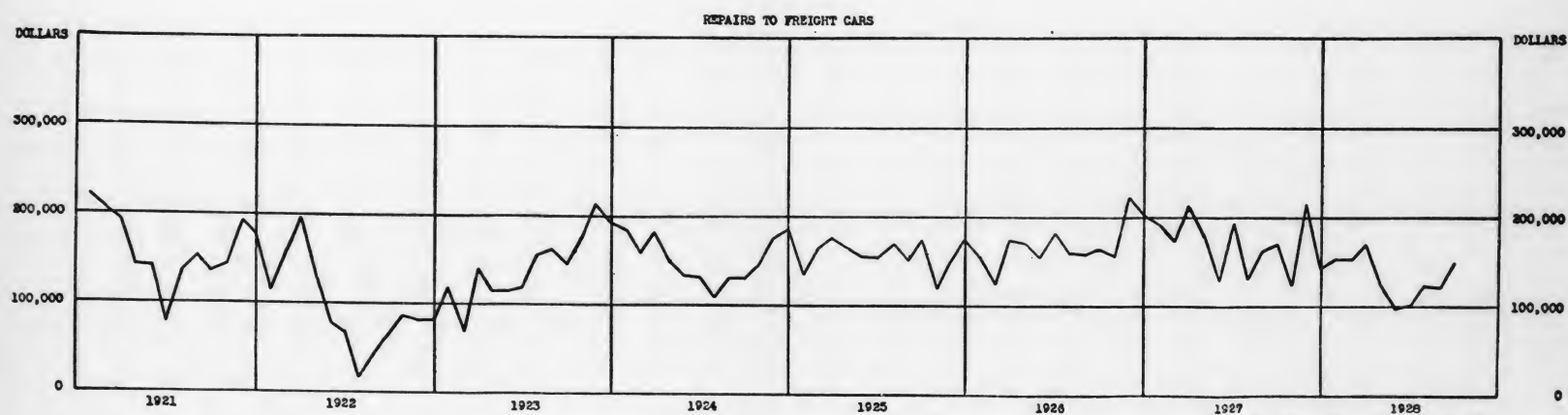
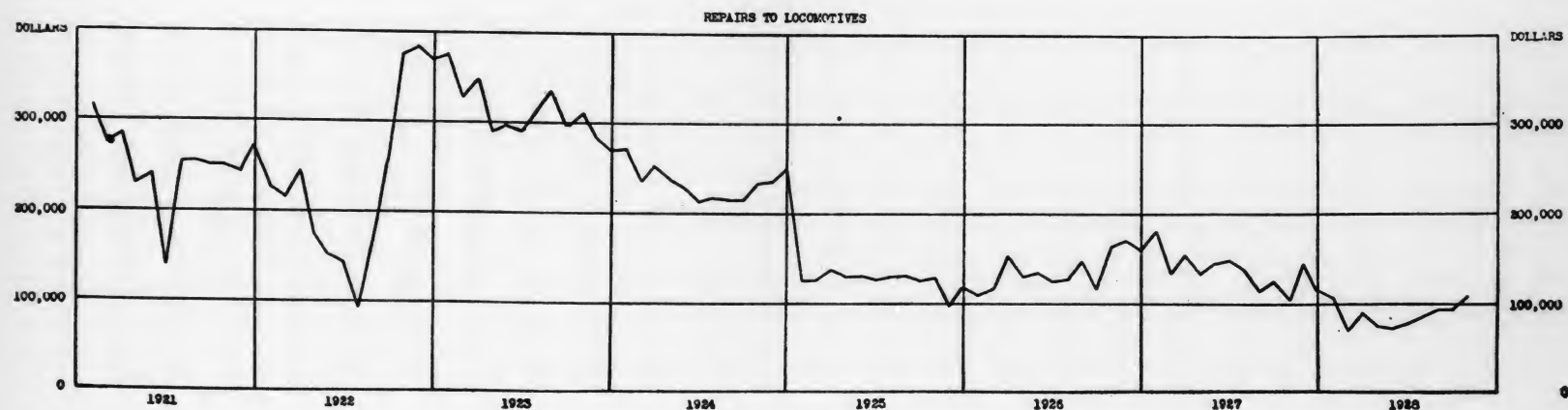


CHART No. 8

THE DELAWARE AND HUDSON COMPANY  
MATERIAL CHARGES



efforts to stabilize employment, the adoption, in whole or in part, of the policy outlined herein.

Mr. LOREE. I have tried to keep to the questions that were specifically raised in your letter, Mr. Chairman.

The CHAIRMAN. Yes. Mr. Daniel Willard, president of the Baltimore & Ohio Railroad, was before the committee yesterday, and he testified that this was largely a state of mind that the employers had to get into, for the development of the standardization or stabilization of employment, before we could get action or devise means for doing that. I suppose you agree to that?

Mr. LOREE. I think it is a state of mind; that he frankly faces his own loss, if he does not; a financial loss, which is occasioned directly and indirectly by the lowering in the morale of his people.

The CHAIRMAN. In other words, it is good business practice to have a consciousness developed in that direction?

Mr. LOREE. We think so.

The CHAIRMAN. Did you say what you meant by this dismissal insurance?

Mr. LOREE. We have a group insurance that covers the employees in the service. That insurance is against sickness, accident, and total disability. We give all the men in the service, at the end of six months' service, \$250 life insurance, and they may subscribe to \$250 more; at the end of two more years, \$500; and they subscribe to \$500. From then up they can go to the limit of their salary, the company just carrying half of the expense, and the man carrying the rest; and this sickness, accident, and total disability the man carries entirely himself. But if a man takes two kinds of insurance, if he is a subscriber to two kinds, then if he is dismissed for cause, we pay him \$15 a week for six weeks, while he is hunting a job. He may get a job sooner. He must make affidavit to his inability to get a job. Of course that compensation ceases the day he gets a job; but up to the limit of six weeks we pay him \$15 a week.

The CHAIRMAN. You do not dismiss any men, then, except for cause?

Mr. LOREE. No, we do not. If a man resigns, we do not pay him in that case, at all.

The CHAIRMAN. In other words, you do not lay off anybody because of lack of work?

Mr. LOREE. We furlough certain men.

The CHAIRMAN. That is what you mean by dismissal?

Mr. LOREE. No. When a man takes a furlough, when as in the train service it may be, under the fluctuating of business, a man asks for a furlough, which is a strictly temporary condition—

The CHAIRMAN. That does not disturb his priority?

Mr. LOREE. No; because when he comes back he goes on just where he was before; except while he is out of the service we carry the total premium charge on his insurance, and when he comes back he then makes good, after his return to the service, gradually, the amount that has been paid for him. That is, he must cash up and compensate the company for that portion of the premium on which he has been protected by the company.

The CHAIRMAN. How do you protect those employees who, of necessity, have no work because of insufficient freight?

Mr. LOREE. It only applies to the train service organization. It does not apply to the men in the shops. It does not apply to the clerical force or any other—to track labor or anybody else.

The CHAIRMAN. When there is a shortage of transportation to handle, I understand you rotate the work in accordance with the priority, or do those that have been in the longest stay on?

Mr. LOREE. No; in the shops when work gets slack we put everybody on eight hours' work. That is the normal procedure. If we have to work less than eight hours for five days in the week—or six days in the week, rather—then we have an option, under the arrangement with the men. We can then start laying people off, or the men can voluntarily elect to go on shorter hours, which they have done during this last long period that we have had. For instance, at the present time they are working six days. The last week in this month they will work only five days, because of the decrease in business.

As the ton-miles increase and the car-miles increase, that necessitates, of course, a greater amount of repair on locomotives and cars. Then we go to nine hours at the shop. If it still increases, we go to ten hours with the same personnel. After ten hours we can hire more men. That is, if we have to work the eleventh hour, we have the choice of working the eleventh hour at time and a half, or of hiring more men, which we have never had to do.

(At this point Senator Copeland entered the committee room.)

The CHAIRMAN. I observe from these charts that you only go back to 1924 and 1926. Was that the period when you started this effort to stabilize employment?

Mr. LOREE. No; we started just prior, in 1922. We were just getting ourselves in shape to do it before the shop strike. Of course that temporarily dislocated our situation, as will be seen by the charts, both as to the large number of men and the very great depression that took place in 1922. It is not a good picture. But it was immediately after the road came back from governmental control, and we started making our studies for that material, and we tried to do something specific in connection with stabilization.

Senator COPELAND. I have forgotten what the attitude of your road was. I was a commissioner at the time, and attempted to bring about some adjustment between the strikers in southern New York and the railroads. What was your attitude at that time? What did you do with those men?

Mr. LOREE. Those men voluntarily left our service, and we employed new ones. About 25 per cent came back in the service either immediately or within 60 days; or in some cases, where we made exceptions—

Senator COPELAND. That is, they came in outside of the union?

Mr. LOREE. They came in as individuals and as new workmen.

Senator COPELAND. You never did recognize the union in that connection?

Mr. LOREE. We never have.

Senator COPELAND. Did some of the railroads?

Mr. LOREE. Oh, yes; some of the railroads have. The New York Central did, and a number of the other railroads did.

Senator COPELAND. But your road and the Pennsylvania—

Mr. LOREE. We never did.

Senator COPELAND. You did not take them as union men?

Mr. LOREE. We did not put up any bar, that is on account of a man going on strike, at all; as we term it, voluntarily leaving the service. That did not act of itself as a bar to his coming back to work for the Delaware & Hudson. But that is an individual case. Of course, we would not put a man out of service who had come to us in 1922, to make way for a man who might want to come back. We did not do that.

Senator COPELAND. Am I interfering at all with the progress of the hearing, Mr. Chairman?

The CHAIRMAN. We were trying to develop about the stabilizing of employment without regard to union or nonunion employees, and Mr. Loree has just made a very interesting statement of the progress that they have made in an effort to stabilize employment.

What I would like to get, before you leave this subject, is in a general way, could you say, perhaps in percentages, what improvement has occurred as a result of this effort to stabilize employment?

Mr. LOREE. You mean—

The CHAIRMAN. I mean in the aspect of the whole number of employees.

Mr. LOREE. I do not know that I can shortly enough answer the question; but first of all, we have a force that we have at all times, a force of which the individuals are well acquainted with each other—that is the great majority of them.

Certainly we must assume, I think, that the longer a man works in a job, if you keep him at all, the better he should do his work on the job. There is less waste and more efficient work.

Under the piecework rate scheme, the step rate that we have, for skill and length of service, the company benefits materially by the continuity. The man benefits because whenever there is an increase in business he participates in it, by more work to do.

He shares also in any diminution in the traffic, by working fewer hours. He is able to, with some degree of certainty, locate himself permanently in the community. He knows he is not going to lose his job just because business happens to temporarily fall off. He knows that a minor official will not, without at least some consideration, dismiss him, because that becomes a matter of knowledge to the heads of the departments and to the general manager, because the general manager has to personally approve the payment of the out-of-work insurance, with the dismissal insurance, and naturally he wants to know something about the facts on which he is going to authorize payment of \$90 to a man who has been dismissed from the service; and of course the company has invested in that man a certain amount of money, perhaps intangible, for his training, and the wastage, and so on, that goes with the breaking in of another new man.

The CHAIRMAN. You spoke of piecework. Are your men on piecework in the shops?

Mr. LOREE. Yes.

The CHAIRMAN. You do not pay them an hourly wage?

Mr. LOREE. No. Well, I will say they are about 90 per cent, in the shop work, on piecework. The remainder is on an hourly basis because piecework we do not feel is applicable. Piecework will not go everywhere.

The CHAIRMAN. Is that the general practice of railroad shops, to be on piecework?

Mr. LOREE. I think it is the general practice of a number of roads. It is not so with all the roads, I know.

The CHAIRMAN. Based on piecework, where you show the minimum of 32 hours a week and a maximum of 54 hours a week, could you say in dollars and cents, in a general way, what that amount would mean?

Mr. LOREE. Yes, I could. For instance, our car men on a 6-day week earn \$2,100 a year, roughly.

The CHAIRMAN. How many hours a day is that?

Mr. LOREE. That is eight hours a day. I call it an 8-hour day.

On a 5-day week—that is, an 8-hour 5-day week—our car men average \$151.14 per month. That is at an hourly rate of 92.7 cents.

Senator COPELAND. How much a month?

Mr. LOREE. \$151.

Senator COPELAND. Those are men on full time? Those are not on piecework?

Mr. LOREE. Oh, yes; those are on piecework.

The CHAIRMAN. Working five days a week.

Mr. LOREE. When they work on six days a week, they average \$190.92.

Senator COPELAND. How much do they actually average in numbers of days of employment? Are they employed every week, those men?

Mr. LOREE. Oh, yes. We have not laid a man off—

Senator COPELAND. But what is the average number of days of employment of those men who are on piecework? What is the average number of days per week?

Mr. LOREE. That fluctuates between 8 and 10 hours, depending on the amount of business. The hours per day, that is what your question calls for?

Senator COPELAND. Yes.

Mr. LOREE. Eight to ten hours. When business is slack they work 8 hours, and when business is very good they work 10 hours.

Senator COPELAND. But what I want to get is, what is the average number of days per week that they actually do work?

Mr. LOREE. Five and a half days is the average.

Senator COPELAND. Throughout the year?

Mr. LOREE. Throughout the year. I have a chart here that I think will perhaps illustrate that. Here are the hours [indicating on chart]. This is the depression of 1921. This [indicating] is when we were under the old practice, where we shut the shop right down. This is the strike [indicating on chart]. This line is the 40-hour line. These are the hours that were worked above 40, and you see this was below [indicating]. The men voluntarily decided to work short hours in order not to diminish the force, and we have been working two weeks a month on full time and two weeks a month on a short period of time.

(See chart No. 5.)

Senator COPELAND. Does this chart mean that no man worked less than 30 hours?

Mr. LOREE. Yes, that no man worked less than 32 hours.

Senator COPELAND. No man worked less than 32 hours, and some worked—

Mr. LOREE. No; this is the end of the period [indicating on chart].

Senator COPELAND. Yes, I see. In taking on new men how do you determine whether you will take a man or not? What qualifications must he possess?

Mr. LOREE. That is dependent on the qualifications required for the individual department, and the job which he is applying for. In general, of course, he must take a health examination.

Senator COPELAND. He is required to do that?

Mr. LOREE. He is required to do that.

Senator COPELAND. If he had a hernia or some other disability he would not be employed?

Mr. LOREE. No; we allow a man to waive that. There is, of course, some question whether we should do that; but we allow a man to make a certificate with a doctor's statement that he had hernia.

Senator COPELAND. That is, he agrees that if he should suffer any disability due to that hernia, the company would not be held for that?

Mr. LOREE. Yes, because he admits that, and the doctor's certificate shows that he is suffering from hernia.

Senator COPELAND. But he would not be barred—

Mr. LOREE. Only in some respects. Of course we would not put a hammersmith on who was suffering from hernia.

Senator COPELAND. I am particularly anxious to know why you would decline to give employment to a man.

Mr. LOREE. We decline to give employment to a man when he is aged.

Senator COPELAND. That is the very point that I have in mind. What age?

Mr. LOREE. Forty years of age.

Senator COPELAND. That is, you would not take a man beyond 40?

Mr. LOREE. Not normally.

Senator COPELAND. What are we going to do with the men who are past 40? What is the country or what is society going to do with men who are past 40?

Mr. LOREE. I can tell you what we do with them; we keep them in the service.

Senator COPELAND. That is, you keep a man in the service when he reaches 40 or 50; but suppose a man comes to you who is 40 or 50. Suppose I come to you and say, "Mr. Loree, I want to work for your railroad." You say, "How old are you?" I say, "I am 50." "I cannot take you."

Mr. LOREE. No; we would say, "Why have you not got a job now?" That is the answer.

Senator COPELAND. One of the things before this committee is, as I understand, what are we going to do with these poor fellows who are not working and can not get work? What is your idea about it, Mr. Loree?

Mr. LOREE. Ten per cent of the men, according to our own experience—about 10 per cent of the men—are of such a low mental efficiency level that they can not undertake steady employment. That is, they will not remain on the job either efficiently for the company

or for themselves. They have the "wanderlust," perhaps is about the only way you can describe it. A man does not want to work.

Senator COPELAND. Grant that there are some such men.

Mr. LOREE. Those men will only remain at work for a few days if you give them a job, and then they will float away; and in a week or 10 days those same men will be back wanting a couple of days' job again. Now, we have not been able to determine very definitely, because the past history of these people is, from our point of view, almost impossible to ascertain, as to whether that is a mental situation which has existed from birth.

Senator COPELAND. They are tramps?

Mr. LOREE. Well, almost—or whether it is a developed mental attitude in the majority of cases; because, as I say, these men wander in and they wander out, and you can not trace their past history very well—or, at least, we can not.

Senator COPELAND. All right. Now, what about the other 90 per cent?

Mr. LOREE. The other 90 per cent, or a number of them, of course, are steadily employed. You have a certain number of men who come to you who are over 40 years of age that want jobs. I would say that those men have not got jobs, or a great many of them, certainly, in the railroad business, because of infraction of the rules, or personal conduct, because of which their former employers dismissed them.

Senator COPELAND. Do they represent the other 90 per cent?

Mr. LOREE. No; 10 per cent of your total are these wanderers.

Senator COPELAND. Yes.

Mr. LOREE. The 90 per cent remaining are divided between the people who are steady men and the people—

Senator COPELAND. You misunderstand me. I am talking now about the man past 40 years of age who applies to you for a job. Your reply to me was that 10 per cent of the men who apply to you for jobs are of the tramp type.

Mr. LOREE. I did not make myself clear. Ten per cent of the workers are of that type; so that you get only a proportion applying to you for a job that are of that 10 per cent. There are some men who are not of that type at all, but because of infraction of the rule, either the written rule, or their conduct, have been dismissed from former employment.

Senator COPELAND. That is all right; but now what about the man who applies and appears to be all right, to be a good citizen, but he is 50 years old? What are you going to say to him? No matter whether he stands a health examination or not, you are going to decline him, are you not?

Mr. LOREE. No. In general, I would say we do.

Senator COPELAND. Then what is this committee going to recommend to the Congress to be done with the man past 50, who is healthy, who is able-bodied, but who can not get employment because industry will not take him?

Mr. LOREE. I think that the question is not, can he not get employment, but the question is why has he not got employment? Why did he leave the employment in which he was?

The CHAIRMAN. In other words, why is he seeking employment at 50 years of age, instead of having settled himself?

Mr. LOREE. Taking the specific case of an engineer, here is a man who runs a locomotive. There is hardly a man in the United States running a locomotive who has not had five years' training. That is almost axiomatic; certainly to-day. You have got an investment in that man of at least \$5,000, although you may not be able to point out just where you have spent \$5,000 on him. You do not let that man go without some thought; and yet he is a man who normally is up around 40 or 50 years of age.

When he leaves your service, what are the causes of his separation from the service, normally? He has bad habits; he has disobeyed some of the rules, not once but a number of times. That man has trouble finding a job. Certainly he is almost barred from ever finding a job again as an engineer. You will take him on perhaps as a hostler. You might take him on as a wiper or at some job of that kind. Now, of course that is only after repeated offenses. You do not do that in a minute. No road can afford to do otherwise. If they should, they would be losing money. But that man comes to you with a bad reputation. He has to seek common laborer's work, practically, in the end.

Senator COPELAND. Let me put the thought before you in a more specific way, because it is a matter of great interest to me, and I know this from my conversation with men throughout the country generally. Take, for instance, the bituminous coal-mining industry; there are 250,000 more in that industry than are needed; three or four thousand mines more than we need. If I had my way, I would do away with the law preventing it, and would permit consolidation; but that is neither here nor there. We have 250,000 more employees there than we need. Some of those employees are undoubtedly able-bodied men who have been diligent and capable, but who are 50 years of age or over. Suppose one of those men applied to you, with a perfect record back of him, of decency and of employment; out of work because of the conditions in that industry. What would you say to him?

Mr. LOREE. We would have to say, "We have not got a job for you to-day." But look on the other side of the situation, Senator. In six years the Delaware & Hudson Co. have had just 50 men put out of their service because we did not have any jobs for them. We have only turned loose, into the army of the unemployed, 50 men in six years.

Senator COPELAND. When you did turn them loose and you had to select out six men, you took six men who were past 50.

Mr. LOREE. No; there were 50 men in the six years.

Senator COPELAND. All right.

Mr. LOREE. Those were young men. We do not turn loose old men, unfortunately—or fortunately, depending on whether your stockholders think you ought to give more to them, or whether they think it is all right. But those 50 men were young men who had lost standing in the company's forces, in most cases.

Senator COPELAND. I was in Massachusetts during the campaign, to speak for my friend Senator Walsh, and I was in Lowell, Mass., and after my speech a man came up to me to thank me for what I had done to help the Spanish War veterans get a pension, and we passed that off; and then he said to me, "You are a doctor. How do I look?" I said, "You look 100 per cent." He said, "I have

been walking the streets in Massachusetts for six months, and I can not get a job because I am 50 years old." Now, granting that he was telling the truth about his habits, and that his situation was due to the depression in the textile industry in Massachusetts, what is going to become of that man? Suppose he comes to your railroad; you would say to him, "We can not take you. You are over 50 years old," would you not?

Mr. LOREE. If we were hunting for men, yes. If he had come to us in the last six years, we would have said, "We can not take you, because there is no place to put you in."

Senator COPELAND. What is your idea of what should be done with such men?

Mr. LOREE. My idea is that men who are employable by a stabilization of the industry should be continued in employment, and then you would not have the problem of the men you are talking about.

Senator COPELAND. That is, in the future we would not have them, because you would take care of them now?

Mr. LOREE. Yes; that is what we try to do. Now we have, as I say, only had 50 men discharged in six years, since our scheme started.

Doctor LUBIN. Out of a total of how many?

Mr. LOREE. We started with about 15,000. We have had only 50 men in six years who have been turned loose because we did not have something for them or did not make something for them to do.

Senator COPELAND. And they were all comparatively young?

Mr. LOREE. I would say they were all young. The junior man ordinarily goes out first. We have a lot of old men; there is no question about it. They have been in the service a long while; families have grown up on the property and worked there. Three generations is not unusual. We know that those men, after a certain age, become less effective, less efficient. That is perfectly natural; especially in the more arduous work. But, after all, they have a very good influence on the younger men. They have given the company long service. As you said, there is a problem behind it all, what are they going to do if they are out of work; and it is not with any purely humanitarian idea that we went into this problem. This is not because of some sentiment; this is because we think it is financially beneficial to us that we should keep them doing something.

Senator COPELAND. If there were a general reconstruction of industry, so that your own experience in attempting it would not be unique, would it be possible and feasible to reduce the hours of labor per week for all your men, so as to bring more into employment?

Mr. LOREE. No; because we would not be able to get regularity of employment.

Senator COPELAND. Could there not be a reorganization of your entire structure so that it could be done? Now, you see what I have in mind is to take up the slack, if there is a slack. I suppose that is hardly doubtful, at any rate, Mr. Chairman. Would you say that there was slack among the unemployed?

The CHAIRMAN. There is no argument about that.

Senator COPELAND. Well, all right; then could there be a reorganization in industry so that you could materially reduce the hours

of work per week, have a reorganization, and bring in a larger number into employment?

Mr. LOREE. We do not feel so.

Senator COPELAND. You did reduce the hours. When your company was operating, years ago, there must have been a time when men worked 17 or 18 hours?

Mr. LOREE. Oh, yes.

Senator COPELAND. Now you say you work—

Mr. LOREE. We work between 8 and 10 hours.

Senator COPELAND. It must have been put up to the management of your railroad 50 years ago that you could have an 8-hour day.

Mr. LOREE. We do not believe you can have an 8-hour day. We do not believe that is possible, from our experience.

Senator COPELAND. And yet your men are working less than that, or about that?

Mr. LOREE. No; they are working a little better than that.

Senator COPELAND. But they are not working nine hours a day?

Mr. LOREE. Not as a general thing. They work at certain periods 9 hours a day and at other periods 10 hours.

Senator COPELAND. Was there not a period when they worked 12 hours a day?

Mr. LOREE. Yes.

Senator COPELAND. Then, the section men worked 12 hours?

Mr. LOREE. Yes.

Senator COPELAND. But there was a reorganization, so that those section men are now working 8 hours?

Mr. LOREE. Ten hours for about half of the year, and the other half of the year about 8 hours. But that is because we have introduced machinery. For instance, take a section motor car; a man gets to work much more rapidly than when he had to use a hand car, and he gets home quicker and he works more hours on the track.

Senator COPELAND. Your judgment is that he works as many hours now on the job as he did in the old days?

Mr. LOREE. Probably more; that is, actual work on the track. I am not talking about time on duty, because he is not on duty so many hours; but because of the labor-saving machinery and because of the use of motor cars he spends more time on the section, working on the track. He puts in more of his time on the track working than he used to. That is not true, for instance, taking certain sections of the New York Central Railroad. Due to the density of the traffic, I do not believe they put in anything like the amount of actual work on the track that they used to, because they can not. I think on the New York Central—this is just my recollection of it—they figured that they only got something like two actual hours of work a day out of a section gang. That is because they had to spend so much time getting off the track and on it again.

Senator COPELAND. I want, sometime, to bring out the points that I have in mind now, but I do not want to interfere with your program. Go ahead.

The CHAIRMAN. Have you anything that you could suggest, that you have not already suggested?

Mr. LOREE. No; I have not, Mr. Chairman. We have tried to answer here the questions that you have propounded, and we would be very glad, of course, to reply to any questions that may occur to

your minds, later; either to write to you or state it, if there is anything further or anything you want to amplify.

The CHAIRMAN. When we get all this summarized, we may have to ask you for something further.

Mr. LOREE. I shall be very glad to answer.

**STATEMENT OF J. M. LARKIN, CHIEF ASSISTANT TO THE  
PRESIDENT OF THE BETHLEHEM STEEL CO.**

The CHAIRMAN. Please state your name and your position.

Mr. LARKIN. My name is J. M. Larkin. I am chief assistant to President Grace of the Bethlehem Steel Co.

The CHAIRMAN. I understand you have done considerable work and given considerable thought as to the stabilization of employment, and we would be glad to have you tell us, in your own way, what you have done.

Mr. LARKIN. Mr. Chairman, we have answered the questions that you propounded here in a written memorandum. I am prepared to either read a statement or just follow it as an outline and discuss it as we go along, whichever you prefer.

The CHAIRMAN. Suppose you read it, and we will follow you as you read your statement.

Mr. LARKIN. Very well. We are glad to come down here to talk with you about this very important subject that the committee is investigating, but as Mr. Grace wrote you the other day, we believe our friends have been a little too complimentary in representing to you that we have completely solved the far-reaching and very puzzling question of unemployment.

Nevertheless, I shall try to give you a picture of what we feel we have accomplished toward regularizing employment in answering the questions which Chairman Couzens propounded in his letter of invitation.

You first ask how irregular was employment in our plants before we attempted to stabilize it. I must point out that our efforts to stabilize our employment can not be traced to any particular beginning, as we have been making a constant effort in this direction over many years with perhaps the greatest indication of progress since the war.

Prior to the war there were violent fluctuations in employment in our company, due in part to the severe cyclical changes in business in those years, in part to the fact that the products of our own company were not then sufficiently diversified to maintain a steady rate of operation, and in part to the fact that we had not established such relationships with our employees as are necessary to any permanent relief of fluctuations of employment. This I think was true of industry generally, so that we were no exception to the general rule at that time.

Your second question is, By what means did you undertake to provide steady employment? As I view the matter the question of steady employment is influenced by two major factors—

First, by those external elements over which a particular company has no or very little control, these having to do with the demand for its product which obviously will affect the employment of labor.

Second, by those internal elements over which a company has a certain amount of control. In dealing with these internal elements Bethlehem's efforts have been directed along two general lines, namely:

- (a) Management policies leading to stabilization of operations.
- (b) Labor policies leading to better relations between management and employees.

Those management policies which have contributed toward more regular work have embraced—

Consolidation of properties.

Modernization of plants to the extent of expenditures aggregating over \$150,000,000 during the last five years.

Diversification that gives the company a complete range of products to meet all steel demands. This diversification has been a tremendous factor in affording steadier work to employees.

As an example, one plant which formerly manufactured only steel rails is to-day manufacturing in addition to rails, pipe, wire products, sheet and tin plate, plates, sheet bars for the automobile industry, plates for building construction and other products. Thus this diversification has largely fortified the employees against the unemployment which arose from dependence upon the manufacture of one product which was more or less purchased on a seasonal or restricted basis. Another plant which was formerly devoted almost entirely to ordnance manufacture is now almost entirely devoted to commercial steel products. What has taken place in these two plants is typical of developments throughout our corporation.

Improvement in operating control resulting in a more suitable distribution of work among plants to insure most economical and steady production.

In the matter of labor policies our President, Mr. Grace, about 10 years ago laid the foundation for our present industrial relations work. In embarking upon this program he summarized the reasonable wants of employees to include, first, steady uninterrupted employment and the payment of fair wages for faithful efficient services; second, a voice in the management to the extent at least of jointly determining conditions under which men are asked to work; third, good safe physical working conditions and provision against accident, sickness, and death; and fourth, an opportunity to acquire financial independence through saving, home ownership, the purchase of a stockholder's interest in the business, relief in case of need and pensions in old age.

In carrying out this policy the company adopted a number of specific plans having a bearing directly upon stabilized employment. It first established a department of the corporation under the direction of the assistant to the president to formulate and administer through the management of its various plants its labor policies. Briefly, some of the plans comprising our industrial relations policy are—

A completely organized employment department in each plant for the hiring, transferring, and terminating of employees on a humane and business-like basis. Through these employment departments many of the ills which formerly contributed to unemployment have been corrected. An attempt is made so far as possible to recruit labor from among local citizens. If employees are unfitted for one

class of work they are transferred to other work. During the last year some 16,000 employees were thus transferred from one kind of work to another within our plants. No employee leaves the company without being interviewed by the employment department. It has thus been possible in a great many instances to make an adjustment for the employee which has prevented his being added to the roll of the unemployed.

Our labor policy has recognized that adequate wages are the crux of the employment relationship. It has been the constant aim of the management to increase the earnings of employees while at the same time it has striven for reduced costs of manufacture. This has been accomplished by the application of various methods of incentive wage payment that compensate employees in accordance with their output. Indeed our whole labor policy has recognized a new responsibility for management in the matter of wage payment. Management has come to believe that the ability to pay high wages is as much a measure of its efficiency as the ability to obtain low costs.

In the past much unemployment has resulted from misunderstandings between management and employees. In some plants and some industries labor conflicts resulting in strikes and lockouts with consequent interrupted employment have occurred at frequent intervals because of absence of an effective means of dealing between management and employees. We have provided against this condition by the inauguration of an employees' representation plan which permits of contact and conference between the employees' elected representatives and the management and provides measures for adjusting possible difficulties without interruption to work. In addition to providing a channel of contact between management and the employees for the adjustment of misunderstandings which might otherwise entail hardship through interrupted employment the representation plan has been a powerful factor in increasing efficiency and interest of the employees because of the opportunity it affords for keeping them constantly informed on the facts of the business.

Among the work hazards which the employee has to face, perhaps the greatest is the risk of accidents. Accidents in the past have caused great suffering and distress and much loss of working time in industrial life. We have vigorously attacked this problem and with the cooperation of the employees over the last ten years have been able to greatly reduce accidents. In the last year alone a contest which we have conducted in our plants has resulted in reducing accidents 25 per cent over the year before with a saving to employees in wages of over \$1,000,000, and in addition there has been a substantial saving to the company. Along with these efforts in the prevention of accidents has gone an improvement in sanitary arrangements and working conditions and in the quality of medical service furnished to the employees.

As a measure of relief for employees whose working time is interrupted through sickness, we have in operation a relief plan to which the employees contribute and which affords generous sickness and death benefits. In addition to its financial aspects the plan, through its administrators, is making special effort to correct the causes of sickness as a measure of even greater employment stability.

The one hazard which the employee has to face and which can not be overcome is that of old age, and to take care of this we have instituted a pension plan which gives an employee financial assistance when it becomes necessary for him to retire from active duty. At the present time the corporation is expending under the plan \$500,000 per year, and there are perhaps 1,000 pensioned employees on the roll.

The CHAIRMAN. Would you mind if I interrupt you there?

Mr. LARKIN. No.

The CHAIRMAN. To what extent does the employee contribute to the pension fund?

Mr. LARKIN. He does not contribute to the pension fund. It is paid for entirely by the company.

Senator WALSH of Massachusetts. In other words, it charges up a certain amount against its earnings for this purpose?

Mr. LARKIN. It goes against cost of operation, Senator?

The CHAIRMAN. Is it done on the percentage basis, or how do you arrive at the amount?

Mr. LARKIN. Briefly, the plan provides that a man will be pensioned after 22 years of service and after reaching 65, on the basis of 1 per cent of his annual earnings, multiplied by his years of service. In other words, the longer he has worked for the company, the more the pension payment will be to him.

The CHAIRMAN. Do you set up any fund to protect that, or how do you protect it?

Mr. LARKIN. Yes. At the time a man is pensioned we set up an amount that is estimated to be sufficient to carry through that pension to maturity. In other words, at the time a man is pensioned we would set up the equivalent of five years' pension in a fund.

Senator WALSH of Massachusetts. Not the pension for that one year, but for his probable lifetime?

Mr. LARKIN. For his probable lifetime; yes.

The CHAIRMAN. But what I wanted to get at is, does the company set up any reserve to provide for that out of its earnings?

Mr. LARKIN. Only after the man has been pensioned.

The CHAIRMAN. In other words, you do not anticipate—

Mr. LARKIN. There is no provision in advance for pensioning a man in any general fund.

The CHAIRMAN. In other words, if you were confronted with bad business, and a lack of cash, and you had a lot of those employees, you might be embarrassed by not having created a fund; is that correct?

Mr. LARKIN. It would not embarrass us, Senator, so far as the employees who were on pension were concerned, because their pension has been provided for in the fund. You see, at the time a man is pensioned the company sets aside a sum of money that is estimated to be sufficient to carry that pension through to maturity.

Senator WALSH of Massachusetts. Aside from the pension of that year they set it aside?

Mr. LARKIN. They set it aside at the time he is pensioned and charged it against current cost.

The CHAIRMAN. Perhaps I have not made myself clear. You do not anticipate, then, any man who is going to be retired?

Mr. LARKIN. No; not through any financial provision.

The CHAIRMAN. Yes.

Mr. LARKIN. As a result of the financial aid which comes to employees to-day under workmen's compensation payments and under the relief and pension plans, it is estimated that employees are having made up to them over one-half of the loss that they would sustain in the absence of these plans. This is of tremendous economic benefit to industry and the community at large and furnishes effective insurance against unemployment due to accident, illness, and old age.

Another form of financial aid which can have a material effect upon stabilizing employment is to give to employees encouragement and assistance toward home owning. This we have done through a home ownership aid plan.

Since 1924 the company has operated a stock purchase plan under which 35,000 employees have acquired on easy and favorable terms over \$13,000,000 worth of the corporation's preferred stock and this amount is increasing year by year.

Senator WALSH of Massachusetts. What percentage is that?

Mr. LARKIN. Of the total preferred stock, approximately 13 per cent. There is approximately \$100,000,000 of that stock. Although devised primarily as an aid to thrift and investment, the stock plan can be an important incentive to stability of employment since the stockholding wage earner is less likely to leave the company than one whose only financial connection is through the pay envelope. Moreover, the plan is of the greatest benefit to the employee who for any reason is permanently or temporarily off the pay roll since his shares of stock provide a financial backlog as protection against emergencies. This again in effect constitutes a measure of insurance against the effects of unemployment.

The CHAIRMAN. Just at that point, you say "temporarily off the pay roll." Why would he be temporarily off the pay roll, except for accident or illness?

Mr. LARKIN. Due to the temporary closing down of a department, Senator.

The CHAIRMAN. Why would you temporarily shut it down?

Mr. LARKIN. Due to the lack of orders.

The CHAIRMAN. Yes.

Mr. LARKIN. For instance, I can cite one instance of a car-building department in one of our plants. Because of the lack of orders for cars for the last year and a half we have had very irregular working times, and there have been periods—say over a period of several weeks—when that department has been closed down.

The CHAIRMAN. Do you make any effort to minimize the effect of that by a division of work among your employees?

Mr. LARKIN. Yes. Our first effort in that instance would be to transfer those employees to other work within the plant, and to the extent that we would be able to do that we will take up that labor and hold it in readiness for the resumption of operations of that department. If we, however, reach a point where that labor must be absorbed, if it is a case where the entire department is closed down and we are not permitted to rotate the employees on part time, the only other recourse would be to temporarily release them.

The CHAIRMAN. Then there is no benefit for those who are temporarily released?

Mr. LARKIN. No.

The CHAIRMAN. Have you any figures to indicate the fluctuation due to that?

Mr. LARKIN. Yes; I have a chart here that I expect to show you. So far as it is compared with the number of employees, it is very minor. I just offer that to illustrate the incident there.

Referring again to the value of the stock plan, this again in effect constitutes a measure of insurance against the effects of unemployment.

All of these industrial-relation policies, in addition to their own advantages, have a direct bearing upon regularization of employment since they reduce causes of friction, improve efficiency and morale, further confidence and cooperation between employees and management, and emphasize quality and quantity of production essential to the retention of markets.

Your third question is, What problems did you encounter in bringing about regular employment?

I have already referred to the external economic conditions in business over which a particular company has no control. Assuming that we have secured the maximum effectiveness in the management policies and labor policies which I have discussed, we can offer steady employment so long as the railroads, the automobile industry, the building-trade industry, and the oil industry (these consuming the greatest tonnage in steel) and other industries continue to place orders for steel. They will, of course, place orders so long as they can in turn sell their products and services, and so it goes around an endless cycle all of which is based upon general prosperity throughout the country, which in turn will be supported by high wages, plentiful money supply, and profits for investors.

During recent years, in 1924 specifically, there was a period of business recession which adversely affected the operations of our company, although the effect was less severe than it had been in previous periods of slack business and than it would have been except for the measures for stabilizing employment which have been discussed. One factor which made this period less severe was due to the new condition in business which we have seen in industry in the last few years—namely, hand-to-mouth buying, under which the period of recession was undoubtedly shortened because of the absence of large stocks of commodities on hand. It is noteworthy that during the period of business recession referred to the wage scales of the workers in our company were not impaired as contrasted with the old days when the first thought of management in a business recession was to cut wages. During this period the effects of the depression from an employment standpoint were greatly modified by the policy which the company adopted of spreading out the work among the maximum number of employees.

I repeat that in the efforts of our company to regularize employment the most serious problems which we have encountered are those incident to outside economic conditions which we could not control and the effects of which we could only modify. However, there were some internal conditions distinct from the general business situation which offered additional problems. These were—

First, a constant necessity to hold manufacturing costs to a minimum. This necessity was accentuated by the extraordinarily keen competition in ours and in other industries. Under the older sys-

tem of management the urge to cut costs might have been the incentive to wage reductions and to instability of working forces. In avoiding these evils management was required to handle the problem with greater foresight and skill and devise new and improved methods of doing work; second, there has been the necessity of balancing our desire for stable employment against the need for establishing working forces at the minimum from the standpoint of efficiency. In the course of recent industrial changes it has been impossible to wholly avoid laying off some employees who have become superfluous. This naturally has added to the difficulty of regularizing employment. But wherever it has been done its effects have been offset because of the full-time employment it has afforded those retained and whose sustained purchasing power has indirectly served to afford relief by creating a demand for products whose manufacture absorbed this surplus labor; third, there have also been the problems growing out of the occasional situations in which economy could be effected by transferring work from one plant to another and segregating certain types of work at one plant as opposed to the diversification of products to which I have referred. Oftentimes, because of changing markets and other conditions, it is found that an established product of a certain plant can be more economically produced at another plant. In carrying out this necessary manufacturing economy grave problems as affecting employment will arise. While they are not altogether insurmountable, they do nevertheless require special study and treatment.

You now ask, How successful have you been in your efforts?

We feel that the results which we have obtained in regularizing employment are partially reflected in the following facts as to labor turnover, labor stability, and fluctuations in the pay roll.

Labor turnover (rate of terminations) has been reduced from 135 per cent in 1923 to 43 per cent in 1928 as shown in the following table:

	Per cent		Per cent
1923.....	135	1926.....	85
1924.....	63	1927.....	55
1925.....	67	1928.....	43

The CHAIRMAN. Where was that jump from about 60 up to 85, and what caused it?

Mr. LARKIN. That was in the year 1926, when there was an increased rate of operation which necessitated taking on additional men.

The stability of the working force as shown from year to year in the following table is an indication of progress toward the regularization of employment.

The working force by years was as follows:

	Average number of employees
1923.....	63,775
1924.....	58,430
1925.....	62,133
1926.....	67,998
1927.....	63,210
1928.....	63,177

The CHAIRMAN. What became of those 4,000 men between those two periods you have just mentioned?

Mr. LARKIN. They have drifted out into other employment.

The CHAIRMAN. That is, a part of the unemployed group.

Mr. LARKIN. And that is right in line, and I would like also to say there that it reflects a reduction in our labor turn-over; and as you reduce your labor turn-over, naturally the increase in your force employed will show a greater stability, so that that is reflected in there.

The CHAIRMAN. Yes; but there was a big change between certain years that you just mentioned there. I did not get the impression that that was due to the stabilization or regularity of employment.

Mr. LARKIN. The big change there is between 1925 and 1926.

The CHAIRMAN. Yes.

Mr. LARKIN. In 1925 there were 62,000 employees on the pay roll and in 1926 there were 67,000.

The CHAIRMAN. But I mean the drop below that. There was a drop, then.

Mr. LARKIN. In 1927 it dropped back to 63,000.

The CHAIRMAN. Why was that?

Mr. LARKIN. 1926 was the year of the resumption of the steel business, getting back to a high rate of operation, which necessitated taking on new employees. By the time we had gotten into 1927 and our rate of operation was steadied up, our forces became more stable, and those flurries you take on in the hiring of your employees were eliminated from the roll.

The CHAIRMAN. So that those 4,000 that were laid off in those years became a part of the general unemployment problem?

Mr. LARKIN. Yes; they were a part of it before they came on our roll, and they went back to it.

Doctor LUBIN. You are working steadily now?

Mr. LARKIN. We are working steadily now, and the rate of operation we have this year will be in excess of that of 1926, which was also a good year from the standpoint of operation.

The CHAIRMAN. You have not had to take on any more men?

Mr. LARKIN. We have not had to take on any more men; because that is one of the advantages of steady operation and regularizing of your employment, that you can operate with a steady force of employees; whereas, if you go down in your rate of operation this year and then go up next year, there is a period there over which you are taking on new employees and trying them out and fitting them into the operation, which will mean that for a period you will show a higher average force. If you can get your operation steady, you can operate with a lesser force.

The CHAIRMAN. Even with more product?

Mr. LARKIN. Even with more product; yes.

I might point out in that connection one figure which I think has a bearing on this from a strictly cost or financial standpoint. That is that from 1923 to 1927, without any disturbance of the wages of the men, the cost of manufacture of finished steel products has been reduced approximately \$7.25 a ton. That is another advantage of coordination and stabilization of your operation and employment.

Fluctuations of force within each year between 1921 and 1928 are shown on the attached chart. Whereas the high and low points of employment in 1921 fluctuated 50 per cent from the average, during

the following seven years these fluctuations were steadily reduced until in 1928 the high and low points of employment varied hardly 10 per cent from the average for the year. This is on the basis of the fluctuation in the pay roll. This line [indicating on chart] is the base line which shows the average pay roll. I might explain that in this way, that our pay roll is approximately \$120,000,000 a year. That would mean that the average monthly pay roll would be \$10,000,000.

Taking this line on the chart to be the average of \$10,000,000, then as the pay roll per month fluctuates above and below the \$10,000,000 it shows the extent to which steady work has been given to the men, as reflected in their pay envelope; which, after all, is the thing that they are concerned with.

It shows here that back in 1921 the fluctuations were as great as 50 per cent above and about 38 per cent below. That has been steadily ironed out, through management and labor policies, until we come down here to-day to show that the fluctuations throughout the course of the year are minor—not over 10 per cent. This [indicating] happens to be an increase, and the decrease in no case was as great as 10 per cent.

The CHAIRMAN. Was that helped by the condition of the industry or by budgeting or what not?

Mr. LARKIN. That was helped by all of the factors that I have mentioned. For instance, the program of consolidation which this corporation went into back in these years here [indicating on chart], followed by a program of modernization and diversifying the products of the operation, and then resulting in better operating control of all the properties, and, of course, a better position of the company commercial wise to go out and obtain the necessary business with which to operate on a steady basis.

The CHAIRMAN. So that in addition to being a very humane result it has proven to be a good business plan?

Mr. LARKIN. I would say that the two go hand in hand; that what is a good thing for business is a good thing for the employees, and vice versa; and I certainly feel that in this instance that is borne out.

The CHAIRMAN. You pointed out the fact that there had been considerable reduction in cost of manufacture; I think, \$7 a ton reduction in the cost of producing steel.

Mr. LARKIN. The actual figures, Senator, are \$7.27.

Senator WALSH of Massachusetts. Has the public benefited by that reduced cost also?

Mr. LARKIN. In that time the prices of steel products have decreased slightly more than the reduction in cost.

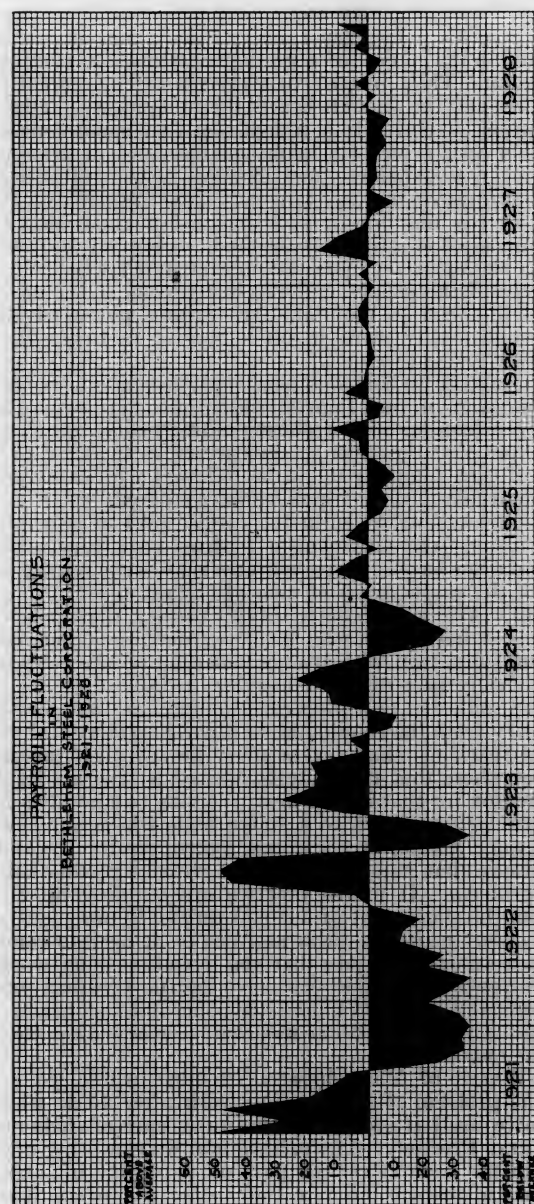
Senator WALSH of Massachusetts. So that it has been of benefit to the public also?

Mr. LARKIN. To the public also.

Senator WALSH of Massachusetts. As well as to the company?

Mr. LARKIN. I have not the actual figures on the reduction to the public.

Your last question asks, to what extent measures similar to those adopted in our company can be applied to other plants and other industries.



Naturally, I am intimately acquainted with conditions only in the Bethlehem Steel Co. In a general way I know that other employers are interested in the subject of unemployment and are making efforts at stabilization. Their interest to a certain extent reflects humanitarian motives and the desire to benefit their employees. To a greater extent, however, it is due to a recognition that stabilization of employment and satisfactory operating conditions from the standpoint of management, stockholders, and business in general is highly desirable. Stabilization of employment is good business; on the other hand, it is by the adoption of good business methods that this stabilization can most effectively be secured. After all, industry itself has come to be dependent upon the uninterrupted purchasing power of the masses of the people, and for this reason, if for no other, it should do all it can to maintain the earning power of the wage earner through steady work in order that it in turn will have a steady market for its products.

As to the extent to which other employers might make use of methods similar to our own I am not qualified to speak with authority, since I am not familiar with problems in other companies. I should think, however, that the same general principles modified to suit the conditions of each company might be followed with results approximately comparable to those which we have secured.

The CHAIRMAN. You spoke in the former part of your statement about organizing your employment services on a very businesslike and humanitarian basis. Have you any rules with respect to age—in regard to the employment of men of certain ages?

Mr. LARKIN. We have, Senator, in this respect, that we aim to employ new men—that is, men who have never had any other connection with the company, men who are not taken on on the basis of being rehired—under certain rules. The rules in those cases are that the men shall be subjected to a physical examination, that they shall be able to qualify from the standpoint of physical and mental and work ability, and that they shall not be over the age of 45, excepting in special cases where that rule may be waived by the management.

But the reason for that is that we are coming to a point in industry where we are getting down to a stable basis where our effort is to regularize work and to stress doing something for the older employees, because that goes hand in hand with correcting this unemployment problem. It means that we are building up older employees from the standpoint of age and service in our plant.

Now, in order to protect them and not to bring into competition for the limited number of jobs that you have that older workers can do, workers from the outside that have had no previous connection with the company, then we must have some limit at which we will avoid bringing into competition with our permanent employees people from the outside.

Senator WALSH of Massachusetts. In other words, your old-age problem, the problem of men having work after 45 or 50 years of age, will solve itself if every employer takes care of their men?

Mr. LARKIN. Precisely. If, for instance, we can bring about consciousness in the country on the part of employers of labor, bring about a sense of responsibility to their older employees, it seems to me that is the best and soundest method of correcting the situation and solving the problem of what shall be done for the older employees.

Senator WALSH of Massachusetts. You can adjust the older employees by taking on younger men to take the places of older employees, and who will be with you for a longer period of years?

Mr. LARKIN. Yes. From every standpoint, you have to view the taking on of a new employee as you would any other business investment. You have got to consider that if you are going to do the best that you can for the company, you have got to consider, when you are taking on a man, having him for a period of years rather than taking him on for a few months and then throwing him out on the country.

The CHAIRMAN. In other words, unless such a policy as you have described is adopted, the older men will be thrown out, but when the industries become more uniform in their operation and policies the older men will not be out?

Mr. LARKIN. Yes.

**STATEMENT SUBMITTED BY MR. FRED W. SARGENT, PRESIDENT OF THE CHICAGO & NORTH WESTERN RAILWAY CO., ON THE METHODS EMPLOYED FOR REGULARIZING EMPLOYMENT BY THE CHICAGO & NORTH WESTERN RAILROAD**

I attach hereto a chart which will show the number of occupied positions in shop crafts and maintenance of way department on this railroad since January 1, 1923.

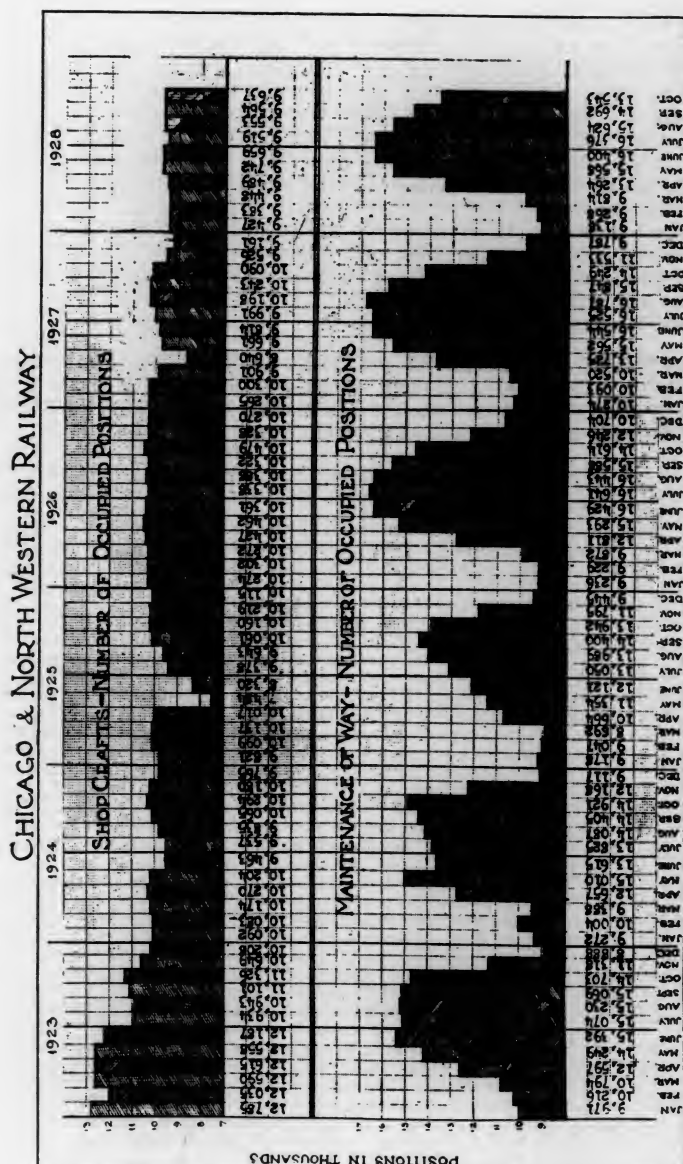
We undertook our stabilization program in the latter part of 1925, and you will observe that it has held a rather consistent line with one exception to the present time. In our maintenance of way department you will observe that while there are wide fluctuations in each year, there has been reasonable stabilization for corresponding months of each year since 1925.

In this territory it is impossible, of course, to maintain an even force on maintenance of way work throughout the year, as the season for us is rather short, and we are obliged to do substantially all work other than ordinary maintenance from April to November, inclusive. I therefore see no way of maintaining even forces throughout the whole year for the maintenance of way department, since the matter is controlled in our territory by climatic conditions.

We can, however, to a very large extent maintain an even force throughout the year in the maintenance of equipment. We have made, as you will observe from the chart, some progress since 1925. Beginning with January 1, 1929, we have adopted a yearly instead of a monthly budget and will maintain substantially the same number of men each month throughout the year regardless of the volume of business. This means that our comparative showing as to net earnings for corresponding months of previous years may be somewhat varied but it ought not affect the total for the entire year.

We have not encountered any serious problems in undertaking to bring about this stabilization of employment on the railroad. We have had the cooperation of our men and the brotherhood organizations. To adopt such a program, however, it is necessary that we make a very thorough survey at the beginning of the year in which we undertake to estimate our total volume of business for the succeeding year. It also means that we will have more men employed in the wintertime than we would need to maintain our equipment in good condition and fewer men than we will need in the summer and fall of the year to take care of the increased volume of work that would be necessary if we were planning only from month to month. However, we expect to put our freight equipment in such excellent condition during the slack period of the year, that the surplus will carry us through the peak period without putting on additional men who would later have to be discharged in the wintertime. To increase the pay roll during the slack period of the year means that we are taking some chance on recuperating by virtue of an increase in the volume of business commensurate with our own predictions later on in the year, and if our predictions as to the volume of business we will do for the entire year is overestimated, then it will mean a higher maintenance charge to equipment than would otherwise be necessary.

I think one reason why this plan has not been adopted before is because railway managements have hardly dared to take a chance in relying on prophecy



as to what the total volume of business for the calendar year might be, for if we should guess wrong, we would then be in the position of having incurred a very heavy maintenance charge in the first half of the year that might not be justified if there should be an unexpected decline in business in the latter half of the year. If, therefore, the railroads could put their finances in such condition that they could always maintain a surplus for maintenance, it would aid materially in carrying out such a program, for while we might make a mistake in predicting our volume of business in a single year, yet it is reasonably certain that the law of averages would apply over a number of years, say, for instance, five, and that over such a period the charges to maintenance of equipment on the plan I have attempted to describe would prove to be reasonably conservative.

We expect, however, to take the chance in the current year, believing that our predictions are reasonably accurate, and if we are successful, we will have given employment to substantially the same number of men each month throughout the entire calendar year.

(The appended chart showing the fluctuation of employment in the shop and maintenance of way divisions of the Chicago & North Western Railway was submitted to the committee by Mr. Sargent.)

**MEMORANDUM SUBMITTED BY W. J. BURNS, EMPLOYMENT MANAGER NATIONAL CASH REGISTER CO., DAYTON, OHIO, ON REGULARIZING EMPLOYMENT AND OUTPUT BY THE NATIONAL CASH REGISTER CO.**

Being unable to leave Dayton just now, I am giving below some facts and comment on employment equalization as far as our experience with the subject goes. I feel this letter will give you the desired information as well as my presence before your committee.

I shall not attempt to answer your five questions specifically, in view of the fact that, as far back as my knowledge of the company's labor policies goes, it is difficult for me to put my finger upon any particular turning point or a change from highly fluctuating employment to a steadier basis. For many years we have been recognized as one of the larger companies that consistently gives steady work to its employees. We can not claim to have undertaken any definite program of stabilization in recent years which had not formerly been in use as far as practicable. We have been able to improve or augment some of the methods theretofore used to level up production schedules.

I am sending with this letter a copy of our enrollment fluctuation chart for the last six years. Aside from two short dips in 1924 and 1927, the extreme variation in the number of employees has been about 8 per cent. The two temporary breaks were due largely to evening up of stock on model changes. This fall we added about 800 people to our force, due to an increased demand for some of our late model registers and accounting machines, which we hope and believe will be maintained.

Our sales, fortunately, are not subject to as sharp seasonal variations as are those of many companies. The low month usually is February, when sales run between \$2,500,000 and \$3,000,000. January, July, and August are the months running near the bottom. We close the factory departments for two weeks' annual vacation in July or August, and for three days at New York for inventory. This automatically curtails production to some extent during the periods of the year when sales are lowest. Peak sales usually come in October, with May a close second. October sales run between \$5,250,000 and \$6,000,000. Looking only at the low and high months of the year, the fluctuation seems sharp, but the intervening months show a gradual increase or decrease toward the high and low points, making a fairly easy curve from which to work.

I do not believe any general plan or policy of employment stabilization can be applied successfully to all lines of business or industry. Methods must be determined largely by the percentage and frequency of sales variation, perishability, weight, and bulk of product (which might be the determining factors in a warehousing program), and other things of a purely local nature.

I might mention that the Frigidaire division of General Motors Corporation is located in Dayton, and we cooperate with each other in the matter of labor supply on a very friendly basis. Their peak comes in the spring and early summer. During the temporary break in our employment curve last year

Frigidaire needed men. They gave preference to and absorbed practically all the desirable men we laid off. By the time our stock situation had been adjusted to model changes, Frigidaire's production schedules were being reduced and we took back many of our employees whom they had put on during their peak. The point of this is that employment stabilization is not a problem to be solved only by individual companies inside their own organizations. It can be worked out as a community program by companies manufacturing lines with component production peaks, giving preference to each other's surplus employees as seasonal variations make it necessary.

I have had a number of letters and questionnaires about our experiment with employment stabilization, including one from the Institute of Economics to which you refer, but have never done anything more than explain the methods we have been using for a number of years. We do not claim to have anything particularly new, nor any universal panacea for the ills of unemployment.

The sharpest fluctuations in man-power requirements naturally occur in our assembling division. Daily production quotas for the various types of registers are revised the first of each month based upon current sales. As a rule when the sale of one particular type of machine is down another is up enough to compensate, and we use the flying-squadron system to meet these changing requirements in the assembling division. Certain groups of men have been trained to work on several different types of machines and they are transferred from one assembling department to another as the sales variations make it necessary.

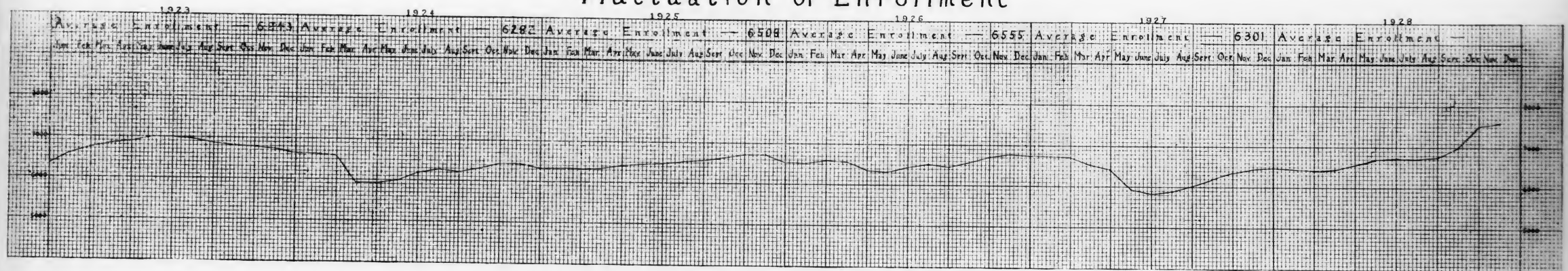
As for our machining and other production departments, schedules are controlled by our stock-ordering department, which corresponds to a planning or scheduling department in many plants. Approximately 45,000 different register parts are manufactured and stocked. An average of seven operations are put on each part, some running as high as 30 operations. Average time of production orders in process is six weeks, with a maximum on some parts of three months. With few exceptions order for three months' supply are placed in the factory when there is a two months' supply in the bins. Should very sharp and unusual fluctuations occur in sales, the stock-ordering department extends or shortens the due dates of all orders in the shop according to requirements. This enables us to level off the peaks and valleys in the production of parts. The fact that we have a three months' schedule to work upon makes it possible to so adjust the work of the production departments that even sharp changes in the assembly quotas do not affect them very much, if at all.

Warehousing also helps us in the matter of steady employment. Approximately 65 per cent of all registers sold are standard models, many of which are built in advance of sales, during our low months, and warehoused in Dayton, New York City, St. Louis, and San Francisco to meet the peak demands for these types during the spring and fall. This helps to keep the production schedules somewhere near normal during periods of low sales, and enables us to concentrate more upon special construction when sales are at a peak. In 1927 our peak of registers in warehouses was 17,053, and the low mark 6,724. This year the peak was 14,652, and the low 8,026. I do not wish to leave the impression that 65 per cent standard sales makes an easy problem for us. The majority of these 65 per cent are smaller models, which are produced in large quantities. The 35 per cent which are not standard are nearly all the larger and more complicated models. For instance, although our class 2,000 models comprise only 15 per cent of the total number of registers built, they require 45 per cent of our total man-hours to manufacture. Ninety-five per cent of them are specially constructed, and the number of parts run as high as 12,000 per machine.

To sum up, I believe a great deal of effective work can be done to reduce employment fluctuation by the following methods, along with many which others understand better than I:

1. More intensive sales effort and perhaps extra inducements for salesman and buyer during normally slack sales period.
2. Component line manufacturing.
3. Closer cooperation and understanding between local employment and personnel managers.
4. More intensive study of warehousing possibilities.
5. Educating the public against seasonal buying in many lines, such as the Hill Bros. Co. did in their campaign with the Dromedary line. (The appended chart mentioned by Mr. Burns in his testimony shows the fluctuations in enrollment in the National Cash Register Co. from 1923 to 1928.)

# Fluctuation of Enrollment



**STATEMENT SUBMITTED BY MR. JACKSON JOHNSON, FORMER  
CHAIRMAN OF THE BOARD, INTERNATIONAL SHOE CO., ST.  
LOUIS, MO., ON METHODS OF REGULARIZING EMPLOYMENT**

Until a few years ago, our operations and employment were almost constantly continuous throughout the year. That was possible because our production consisted in the main of shoes of staple character. There was very little change in styles and patterns from season to season or from year to year, and while there were dull seasons for selling and heavy seasons for selling, the fact that our product was staple enabled us to estimate our requirements for the year and employ the dull seasons as well as the heavy seasons in manufacturing and storing the shoes that would be required.

While those conditions existed we were able to induce our customers to anticipate their needs, and through special datings we were able to secure their orders in advance of their actual requirements.

However, there has been a radical change in these conditions in the last few years. Our industry now is subject to the same rapid changes of styles that have affected other industries. Our factories which formerly concentrated season after season on staple shoes, must now accommodate their operations to making smaller quantities of shoes that are dictated by style and fashion from time to time. Our retail merchants, because of these changes in style, can not and will not anticipate their needs. We no longer have any assurance as to future requirements.

The fundamental cause for this change in conditions is, of course, beyond our control. We are meeting the changed situation by exercising more versatility in our manufacturing operations, which are constantly being adjusted and adapted to meet the changing demands. Every effort is made to distribute the production to the various factories in such manner as to assure as near as possible continuous employment in all. This distribution of production is supervised by the head of our manufacturing department, who is constantly aware of the capacity, equipment, and possibilities of each and every factory, and who directs the placing of shoes for manufacture after consideration of the fitness of the factories for producing the particular shoes, and the extent to which the facilities of the several factories are already employed or are booked for employment. In considering the facilities of the factories, as a matter of course, the extent of employment of our workmen is an important factor.

Over the period of the last 12 months there has been a decrease of about 10 per cent in the average number of employees for the year. During the same period, owing to temporary shutdowns, etc., our employees have been employed about 5 per cent less time than is normal.

The foregoing statements apply to employment in our shoe factories.

The situation is otherwise in our tanneries. As a matter of policy we have expanded our tanning operations only sufficiently to supply about 80 per cent of our leather requirements, leaving a margin of about 20 per cent of our requirements to be bought at opportune times from other tanners. The consequence is that we operate our tanneries continuously to capacity and with a full quota of workmen throughout the year.

This policy as followed in our tanning operations is perhaps the only policy of this company which is sufficiently definite to be of any value to you in your deliberations on the problem of unemployment. As indicated above, the matter of employment in our shoe factories is subject to constant adjustment and readjustment to meet changing conditions in demand, and these changes are dictated, not by any definite or well-defined policy, but by the expediency of the particular current situations.

**STATEMENT SUBMITTED BY COL. WILLIAM COOPER PROCTER,  
PROCTER & GAMBLE CO., ON METHODS EMPLOYED BY PROCTER  
& GAMBLE CO. FOR REGULARIZING PRODUCTION AND STABILIZ-  
ING EMPLOYMENT**

In brief, our plan is based upon the theory that the consumption of soap and other products which we make is substantially the same each year and without much seasonable variation. We can make an approximate estimate of the business anticipated for the succeeding six months and quota our production daily upon that basis. Our sales department quota the monthly sales for each sales unit, which unit is quite a small one. They are supposed to check up on on

their sales monthly and drive after those units which have not reached their quotas. The result is the sales force is more closely followed than it was in the past, and has naturally increased its efficiency.

In order to provide for any lull in the buying of our products, we have provided additional warehouse facilities, and, in the event of speculative buying, to regulate our deliveries to individual customers in accordance with their sales demands. In other words, the customer whose normal monthly sales of our brans is 100 boxes, and who for speculative reasons places an order for 500 boxes, our deliveries to him would be limited to 100 boxes monthly, unless he showed his actual need was greater. By regulating our deliveries on speculative buying and by providing the additional storage necessary to take care of slack buying periods, we have been able to operate during the four years the plan has been in existence without shutting down excepting the desired weekly shut-downs the first of July and the end of December.

Under our plan all employees who have been in the service of the company for six months or longer become eligible to the guaranteed plan of employment. Since the plan has been adopted our turnover after six months' service in the company has been reduced three-fourths. The men are happier, better contented, and more pleased with the guaranteed plan of employment than any other feature that the company has adopted for their benefit, and might mention that the company has the profit sharing, sick benefit, life insurance, accident insurance, and disability and old-age pension. The company has profited largely under the plan; it is difficult to estimate how much in dollars and cents, but the reduced cost of production secured through regularity of work with the same steady employee is very great. I think I am conservative in stating that it has reduced our cost of production from 3 to 5 per cent.

**MEMORANDUM SUBMITTED BY H. F. JOHNSON, JR., OF G. C. JOHNSON & SON, RACINE, WIS., ON THE DEVICES EMPLOYED BY S. C. JOHNSON & SON FOR GIVING STEADY EMPLOYMENT TO THEIR LABORERS AND RESULTS OF THEIR EXPERIMENTS**

1. For a business such as ours, irregular employment for a 25-year period prior to 1922 would follow very closely the employment irregularity record of other firms in our class, such as paint and varnish, household specialties, etc. In reviewing our own record for the period prior to 1922 it appears to be spotty but with an underlying trend of increasing sales to offset any apparent acute unemployment situation.

It seems to me that the best way of visualize the results we have secured through methods intended to eliminate employment irregularities is to refer to the enclosed Ten Year Sales by Months and Quarters (based on a new fiscal year).

It is a 10-year sales history starting each year with February sales. At the right of the graph is a 10-year average, 1929 budget, and a mathematical budget. It is interesting to note that for the years 1925, 1926, 1927, and 1928, barring the first quarter, the succeeding quarters are almost identical as to per cent. It is also interesting to note that prior to 1922 there was more fluctuation in the quarters than in the years following.

Our organization has done a great deal of work along the lines of steadying employment through stabilizing production. Our unemployment plan went into effect in the year 1922. We have continually, for the past 10 years, increased the number of products we manufacture, and in doing so train our employees so that we can easily shift them from one department to another as conditions change. We find that advertising campaigns during periods of usual depression tend to hold up a uniform production. All of these methods depend primarily, upon the ingenuity of the organization and, secondly, upon the state of general business. We have applied them all at various times and through their use have kept the need for unemployment extremely low.

We do feel, however, that there should be something more permanent and more definite for the average working man and that his welfare should not rest solely on these methods. Our answer to this question is unemployment insurance, and we have worked it out definitely and practically in our own organization and, although we rarely have occasion to use it, it is there to be used in the time of general business depression or a crisis. The fund provided for in the disability and unemployment clauses in the constitution and by-laws are accumulated by the deductions from salaries of our employees in the various

classes and by the contribution from this firm to the extent of an amount per year equal to the amount contributed by all the employees combined.

3. I believe our one biggest problem is a factor that is inherent in our business. Our products are used in the spring and fall more than any other seasons. We overcome it largely by:

(a) Building up stocks when sales are low, thereby relieving irregularities in employment.

(b) Shifting employees to different jobs as conditions change.

(c) Developing new products continually.

(d) Advertising campaign during usual depression periods, viz, feature our floor polisher as a Christmas gift.

(e) Vacation period comes in July, usually a depressed month. All employees go on two weeks' vacation at the same time, except for few in shipping department.

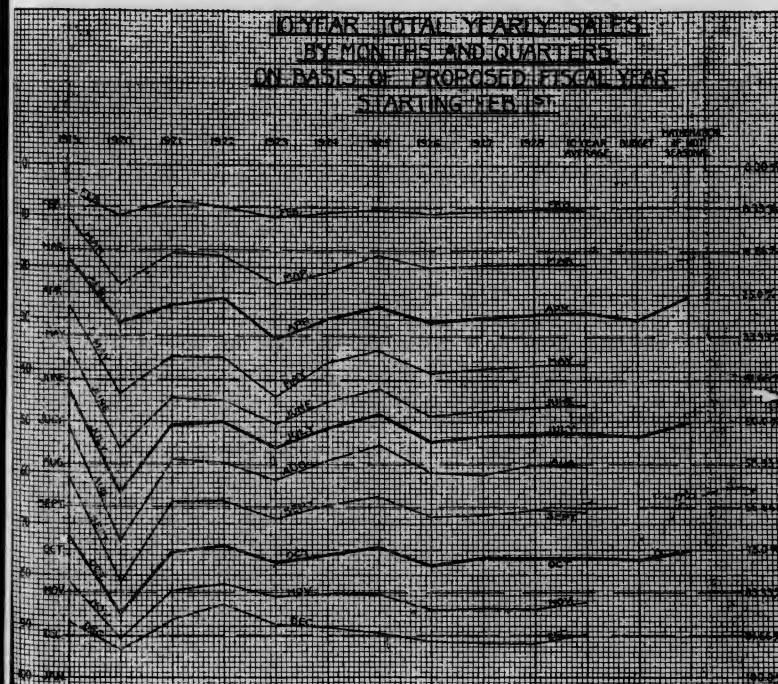
(f) Salesmen's prize contest when sales lag, thereby not becoming over-produced.

4. Answered in answer No. 1.

5. Although I speak without a great deal of experience, I can not see why all the measures listed above can not be applied, with necessary modifications, to any business. Although our business is relatively small to some, I thoroughly believe in unemployment insurance and think it should be a law.

Lacking this, I believe in Mr. Hoover's idea to bring about the creation by Federal, State, and local authorities, of a reserve fund of \$3,000,000,000 to be used for public construction in times of overproduction and unemployment. Our Italian sales agent was in my office a few days ago and boastfully told me of a plan by Mussolini to drain marshes near Rome, thereby giving more land to the farmer and also the Government will employ 65,000 people to do the job.

(The appended chart showing the annual sales of S. C. Johnson and Son was submitted by Mr. Johnson.)



**STATEMENT SUBMITTED BY MR. DONALDSON BROWN, VICE PRESIDENT, GENERAL MOTORS CORPORATION, ON METHODS OF FORECASTING AND PLANNING IN THE AUTOMOBILE INDUSTRY AND THE STABILIZATION OF EMPLOYMENT AND PRODUCTION**

**FORECASTING AND PLANNING VITAL TO INDUSTRIAL PROSPERITY**

Your committee has asked me to talk to you to-day about forecasting and planning and of the relationship of these activities to business success. For a number of years, in the General Motors Corporation, we have had a plan in operation for forecasting our future consumer demands and for planning and controlling our activities in accordance with the indicated expectations. From our experience with this plan we believe that its results constitute a distinct step toward the stabilization of the automobile industry.

Forecasting and planning is the essence of modern-day business management. It is not the function of an individual or a department—it is the conscious, cooperative work of an organization. The American manufacturer can no longer determine his course according to his ability to purchase the necessary raw materials and the capacity of his manufacturing facilities. No longer may he rest assured that there will be buyers for his products so long as he can manufacture them with reasonable cost efficiency, and barring a general business depression. Competition is keen and the cost of manufacture is not the only factor determining the success of the manufacturer. Efficient employment of capital is a consideration of great importance and a sound, economical method of distribution, adapted to the particular circumstances, is essential. In the final analysis the ultimate consumer, with a wide range of choice usually afforded by a number of ingenious contenders, will exercise his preference on the basis of the appeal which a particular product has for him.

Forecasting and planning is nothing more nor less than a system of control whereby production, purchase of materials, and the employment of capital are coordinated with sales requirements. Budgetary control is an apt phrase except that it is likely to imply a rigidity that must be guarded against. Flexibility is a prime requisite, so that there may be a quick response, and thus the possibility of adjustment throughout the system to the requirements of changes of situation that are inevitable. The focal point of the system is the sales outlet. The flow at this point must be gauged and every other activity must be coordinated with it. A description of our forecasting and planning system has been published in pamphlet form, and is available to anyone who may desire it. I shall not, therefore, burden you with details, but will undertake instead to bring out some of the fundamental considerations upon which any such system must be based.

Ultimate consumer demand is the fundamental factor absolutely controlling the continued sale of any product. This is not the demand of the manufacturer who buys from some other producer, but that of the user of the final and completed product. Some types of business are more fortunately situated than others as to the opportunity of analyzing the ultimate consumer demand for their product. Those that are producing and selling products which represent a preliminary stage in the manufacture of a final product that in course of time finds its way into the hands of the ultimate user are far removed from such an opportunity. They are none the less dependent upon the requirements of the final consumer; and it is poor solace to place the responsibility elsewhere when an unrecognized state of demand results in a decrease in sales and an enforced curtailment of production.

**CONSUMERS AND PRODUCERS CAN NOT BE SEPARATED INTO DISTINCT GROUPS**

Consumers and producers in this industrial and industrious land can not be separated into two distinct parcels. We are a people of ambition, eager to work that we may enjoy the comforts, conveniences, and luxuries of modern life. In general, the consumer of one product is the producer of another product. The man who wants an automobile, for example, is ready to work in order to get it. He does not, himself, mine the iron ore, copper, and coal; cut the timber and carry on the enormous range of operations that would be necessary before he could personally make a complete motor car. Even if he could do so, the time spent in so doing, or in fact in attempting to make, for himself and by himself, any product he is not skilled and efficient in making, would be time ill spent, from the economic standpoint. But the fact remains that the average consumer does produce his own automobile, or other desired product, with his own labor, by

devoting a few days, weeks, or months to some business or trade to which he renders service and for which he obtains the price of the desired product. Through the services of others in specialized fields, and the utilization of efficient machinery, he is thus able to secure an automobile at an amazingly low price in terms of his wage-hour equivalent. He pays for the raw materials, hires the labor, the tools, and the capital required, by means of so many hours of labor performed in the production or distribution of some other article or service.

It is a significant fact also, that as industrial efficiency increases this consumer is enabled to obtain his desired automobile for a progressively diminishing equivalent of his own labor. Less labor is required to-day for a given volume of production in most lines than was required five years ago; still less will be required five years hence. This is in accordance with the law of progress. It means not merely the lowering of cost to the consumer of desirable articles, but it means that this producer-consumer is building up a progressively increasing surplus of consuming power enabling him to secure other products that he could not previously afford. Thus efficiency of production, by increasing consuming power, enables industry to continually diversify and expand. I am taking the motor car as an illustration of this truth merely because it comes naturally to mind. The same principle holds good in any line of business and for any product.

**EFFECT UPON EMPLOYMENT AND WAGES**

The diversification of industry made possible by this economic law of diminishing labor per unit of production, has a direct bearing upon employment. For while regularization of employment in industry depends upon the correct adjustment of supply to consumer demand, the growth of employment and wages depends upon continuing increase in efficiency and diversification of production as well as upon the growth of consuming power. There has been a tendency evident in the daily press recently to raise the question of the benefits of efficiency on the grounds that our progress in this direction is resulting in unemployment. Unemployment which progressively and in temporary stages may result from efficiency is of constructive benefit in itself. It results adversely only when industry fails to grasp the opportunity thus presented of increasing and diversifying production and building additional consuming power by the employment of the labor thus rendered available. A knowledge of consumer needs and adaptability in meeting them is required to take constructive advantage of such an opportunity.

There is, however, another kind of unemployment that is an unmixed evil from the economic standpoint. It is that which results from a temporary curtailment of production. The labor thus rendered idle is not available for the production of other products which might attract the public fancy, except at the expense of a labor shortage or deficiency in the original line when resumption of activity occurs. Overproduction due to mistaken appraisal of consumer demand, style changes, the development of substitutes, or insufficient information regarding accumulated stocks are causes of this sort of forced curtailment and unemployment.

**VICIOUS CIRCLE OF OVERPRODUCTION**

Periodically in the past we have had glaring examples of the wide-scale overproduction ushered in by these or other causes. Also, it must be remembered, a spotty condition usually exists at all times, some industries being slack when the majority are enjoying good business. When a state of overproduction becomes fairly general, or applies to a number of principal industries, we are usually in for a depression. Thus begins a vicious circle, of which the economic consequences are intensified by an endless chain of related influences. For overproduction means subsequent curtailment of activities, with resulting unemployment. This, in turn, lowers the purchasing power of large numbers of consumers, with consequent reduction in demand, so that still further curtailment of production is necessary. During this period also occurs the necessity of liquidating surplus stocks, an additional depressing factor. This may bring the permissible production rate down to a level substantially below even the existing lowered rate of ultimate consumption.

## THE PERIODIC FLUCTUATIONS OF THE BUSINESS CYCLE

Such depressions, like the boom periods alternating with them, are characteristic of the business cycle. Of late years business men and manufacturers have come to pay considerable attention to these periodical fluctuations. We are well aware of their economic consequences upon business, and we are all more or less subject to their influences. Therefore, as long as we have the business cycle (and probably we can never obviate it completely), we must take it into account so far as we are able. Unfortunately the statistics which are available, and which are employed quite generally as indicative of general business conditions, have a serious inherent weakness. For example, pig-iron production, freight car loadings, and bank clearings outside of New York are primarily indexes of production. Building permits and records of building construction reflect the state of confidence on the part of capital as to the demand for such structures, but there is always the chance of disappointment. If a state of overproduction exists, and a period of inflation is taking place, we may obtain no indication of it by a study of such statistics.

However, to complete the background, let us look upon the other side of the picture and imagine that we have an ideal condition brought about by correct forecasting of consumer demand. We have a perfect coordination of production and consumption and therefore are able to avoid fluctuations in employment. Sustained employment means sustained purchasing power, and the ability of consumers to obtain what they want by exchanging an equivalent of work for it. As the population grows, and as the efficiency of production constantly increases, we have a continual increase in the demands that arise from desire and the ability to satisfy that desire because of the opportunity for profitable employment. With this increasing demand comes the necessity of additional production facilities and for the employment of labor and brains in fashioning new products to attract the public fancy and to serve useful purposes.

We know that production creates purchasing power. We also know that production is influenced by factors some of which are controllable and some of which we are as yet unable to control. The production of agricultural products, for example, is subject to some uncontrollable influences such as unusual droughts or frosts. However, agricultural production is also subject to other conditions that are controllable, particularly in a country such as this, with its varied climate and natural opportunities for the diversification of crops. Great progress in the direction of the control of agricultural production has in fact been made in recent years. If we could have a reasonable control of agricultural production, and in addition a coordination of business so that industrial production could be regulated and adjusted to fit the demands of the ultimate consumer, the serious consequences from overproduction, as influencing the business cycle, would be removed.

## THE ELEMENTS OF STYLE AND UTILITY

When I speak of production being regulated to fit the demands of the ultimate consumer, I do not mean merely the quantity of goods to be produced. In many lines of business it is even more important to consider the elements of utility and style. This is an age of invention and improvement, and we deal with a fastidious public, which, after all, is one of the basic causes of our industrial progress. Thus what might appear from statistical indications of past consumption to foretell a continuing demand for a given product may be altered overnight, so to speak, by a change of public taste and preference for some substitute or improved article.

## THE PENALTY OF A LACK OF KNOWLEDGE

While a good many people still regard the scrawling signature of the business cycle as almost the handwriting of fate, dictating good business or bad, there is on the other hand a growing tendency to look upon it as an effect rather than a cause.

I hold to the latter thought. With the elasticity which we have in our banking structure there can be no cause for the major disturbances of the business cycle except as brought about by the condition of business itself. The basis of my discussion is directed from this line of reasoning, and has as its main object an attempt to gain your acceptance of this premise, namely, that while business is subject to the influence of the business cycle, the business cycle itself—to the extent at least that its fluctuations are of any serious conse-

quence—results from lack of knowledge and from errors of judgment on the part of business management.

We should continually strive to obtain a better knowledge of the fundamental circumstances surrounding our individual businesses. To the extent that facts are revealed and used in determining the course of business management, errors of judgment are automatically eliminated. The efforts of the Chamber of Commerce of the United States in promoting the gathering of "more and better statistics" by both government and business, have given substantial impetus to this profitable purpose. Cumulative forces will be directed toward the stabilization of business as a whole in the degree that the essential factors of management, based upon revealed facts, are coordinated within our individual businesses.

A theoretically perfect coordination of business comprehends an exact knowledge, in advance, of what the public wants (within the limits, of course, of human ability to supply); an exact knowledge of how much the public wants (within the limits of human ability to purchase and consume); and a regulation of production in accordance to fit these ultimate consumer demands for both kind and quantity of goods. If we had this ideal situation, as applied to business generally, we could stop worrying about the business cycle, because there probably would not be any business cycle left to worry about.

## ADJUSTING THE SUPPLY TO FIT DEMAND

The attainment of such an ideal involves means of determining demand and of adjusting supply to fit it. The economic problem involved can be illustrated for any industry by the simple analogy of a large river flowing into the ocean and having numerous branches or tributaries. The ocean represents consumer demand as a whole; the river represents the flow of manufacture of the particular products that we may have in mind; and the tributaries and branches represent the flow of requirements from contributory suppliers at various stages removed from the main product. The rate of discharge of this river of products into the sea of demand is limited, on the one hand, by the rate of flow of the tributary branches and streams into it, and on the other hand, by the smoothness, width, and depth of the channel and the conditions at the mouth of the river. If the tributaries and feeder streams of this river supply less water than the main channel and mouth can take care of, we have the condition of demand exceeding supply.

If these feeders and tributaries, on the other hand, discharge more water than can be passed through the mouth of the main river, we shall have a backing up and flooding, first of the adjacent lowlands and eventually of the valleys of the tributaries. This is analogous to the piling up of inventories experienced in periods when supply exceeds demand. Ideal conditions for the flow of such a river of industry call for the operation of two distinct activities or influences incident to what we may call flood or volume control. We want our river, of course, to discharge as much volume of product into the sea of demand as is continually possible—therefore one set of activities has to do with the deepening and smoothing of the main channel and the removal of obstructions and bars at the mouth, where it empties into the sea. This pictures the continued improvement of our product in its consumer appeal through style or design betterments, cost and price reductions which enlarge the market, better advertising and merchandising efforts, etc. The second set of activities has to do with maintaining an even flow of water in our river without any shortages and floods. This requires a constant checking of conditions at the mouth of the river to determine the proper rate of flow, and a means of controlling the flow of volume in the upper reaches and the tributaries in accordance with existing conditions at the mouth.

## GAUGING THE CONSUMER DEMAND

It is evident that conditions at the mouth of the river of products must determine the rate of flow of all tributaries, even of the smallest branches and streams, representing raw materials most remote from the main channel, if we are to hope to attain and maintain the condition of an even, maximum flow of finished product. In other words, the ideal way of regulating production through forecasting and planning is upon the basis of gauging and checking ultimate consumer demand. This applies to the welfare of the tributary producer, who may be far removed from the main channel, just as much as it does

to that industry which is immediately next to the ultimate consumer. Practical considerations may prevent these remote contributors from attaining this ideal at present, but this does not lessen the economic desirability.

The situation in 1921 illustrates the disastrous economic consequences of wrong appraisal of consumption trends. False values were built up by the period of inflation during 1919 and 1920, and exaggerated expectations of future demands were created by the competitive buying of raw materials and semi-finished products by manufacturers of all kinds. A state of overproduction existed, but was not recognized. The actual consumption of goods such as automobiles, clothes, and other consumable products was overstimulated by wrong notions of available income. Retailers of various kinds stocked goods to the limit and bought ahead of requirements because of a false impression of consumption trends. They did not recognize, nor did many others, that a bubble was being blown that would burst from its own internal pressure.

The expansion of credit, which reflected itself in the reserve bank statements, while recognized by many, was not generally accepted as evidence of over-inflation. The Federal reserve system was designed to permit of credit expansion to take care of legitimate production needs, and these needs, in the optimistic spirit of the times, appeared to be legitimate. The cause of this situation would not have existed if there had been a way to detect the true state of consumer demand. Production would have been lower, there would have been less employment and overtime work, and consequently, less consumption than actually took place; but it would have been legitimate consumption and the serious economic loss and acute condition of unemployment incident to readjustment would have been obviated.

#### WHAT HAPPENS WHEN GOODS ACCUMULATE ON THE RETAILERS' SHELVES

It is axiomatic that, other things being equal, the nearer the producer is to the ultimate consumer of his product, the better is he able to regulate his production in accordance with consumer demands, and thus to minimize the fluctuation of his production volume. In fact, the accumulation of unsold stock in the hands of the retailer forces both its own recognition and an automatic curtailment of buying for resale. This in turn, forces a curtailment of production on the part of the final manufacturer, there resulting in his factories in all probability, an expansion of inventory as a result of commitments already made and of delayed action in conforming to the consumer trend.

Then, in turn, there is the intermediate manufacturer who is selling fabricated parts to the final manufacturer; in his case, there is delayed action and expansion of inventories due to commitments previously contracted. Thus it is that the manufacturer who is at the first stage of a complex chain of manufacturing operations—and the furthest removed from the ultimate consumer—is the least sensitive to a change in the nature of consumer demand and the last to recover from an enforced period of subnormal production. For between his position and the point of ultimate consumption there has been a backing up of successive inventories. These constitute an accumulative surplus of supply which must be liquidated before his production rate can be resumed in terms of current demand.

Visualizing the situation in terms of our river, the overflow must be drawn off all along the line before the initial manufacturer is in position to resume production at the rate at which the consumer, at the mouth of the river, is calling for the product. The chain of circumstances represented by this backing up of supply occurs necessarily as a result of overproduction, regardless of whether the condition is incident to an actual change in rate of ultimate consumption or to an overoptimistic expectation.

#### RECOVERY OF AUTOMOBILE INDUSTRY FROM 1921 DEPRESSION

It was considered quite remarkable that the automobile industry, in the later part of 1921, was among the first to show signs of recovery from the depression. The fact is not so surprising when we think about it in terms of the principles I have just discussed. The manufacturer of automobiles has nothing between him and the ultimate consumer except a dealer organization. There is no occasion for the accumulation of stocks in the hands of numerous intermediaries, and there are physical limitations, apart from other considerations, that limit the accumulation of stocks in the hands of dealers. The trend of retail deliveries of automobiles dropped by the end of 1920, or putting it more

accurately, deliveries in 1921 fell far short of earlier expectations. There was considerable grief throughout the industry because of what proved to have been abnormal material commitments and overexpanded inventories. But the surplus water was drawn off in a comparatively short time and by the end of 1921 automobile production was proceeding at practically a normal rate, seasonal conditions being taken into account.

Again in 1923 this industry went through a period of overproduction. In this case the rate of sales to dealers was incorrectly interpreted, the manufacturers planning production on the false expectation of a continuing growth in sales such as had occurred during some months preceding and during the autumn of 1923. As a result of this overproduction, the industry suffered a setback in 1924 on account of the necessary liquidation of stocks.

#### ADVANTAGE OF THE AUTOMOBILE INDUSTRY IN FORECASTING

Perhaps it was in consequence of our experience in 1920 and 1921 that we first became conscious of the peculiar advantages which the automobile manufacturer has in the matter of forecasting and planning his operations. At any rate we began in 1921 to accumulate all the information available as to the retail sales. Reports obtainable from dealers in those days were meager, and such information as we had from this source was not very reliable as an indicator of the over-all situation. We had State registration data, however, from many States which proved of real assistance in our efforts to develop retail sales trends, from the statistical standpoint, and we went seriously about the job of getting more complete reports from dealers.

Until the depression of 1924 the automobile manufacturers had not come to a full appreciation of the advantages they naturally possessed, in the means of analyzing consumer demand. General Motors had been studying those advantages and measuring the opportunities, but it took a second period of overproduction, from which we suffered as much as other manufacturers, to force a recognition of those opportunities upon us all. In our own case production of cars in 1924 was 26 per cent below 1923; whereas retail sales in 1924 were only 10 per cent below 1923.

Prior to 1924, however, we were carrying on what is still in effect as a part of our statistical activities—a practice of making monthly forecasts of sales, production, capital requirements and net earnings from operation. These forecasts are submitted on the 25th of each month by each of our operating divisions and are consolidated into a composite forecast for the corporation as a whole. They cover a period of four months, including the current month each time and three months ahead. This system was inaugurated in 1921, and at that time the stipulation was made that no division could commit for materials beyond the indicated requirements of the forecast period without special authorization of the finance committee. We have what we call a decentralized type of organization, and it is a basic principle that the management of each division should have wide latitude and the opportunity to exercise their judgment as to the various phases of operations, limited only by such policies as can be laid down in concrete terms in the interest of the corporation. The restriction in respect to material commitments has proven to be thoroughly practical. It is very rare that special authorizations are requested, and the corporation is protected effectively from an unreasonable expansion of inventories resulting from disappointment as to expected sales of our products.

#### THE WEAKNESS OF OUR EARLIER FORECASTING SCHEME

The weakness of our forecasting scheme in the earlier days lay in the fact that we did not predicate the sales forecasts upon an analysis of consumer demand. We did not have a clear conception of the ordinary seasonal characteristics and were liable to a sharp reduction in sales to dealers resulting from an unrecognized accumulation of stock in their hands. Forecasts of net earnings were correspondingly faulty, and our production schedules and employment of labor suffered fluctuations not justified by existing fundamental circumstances. We did not know the rate at which our product was actually passing into the hands of the ultimate consumers, nor did we know what the stocks were in the hands of our dealers, nor the extent to which these stocks

could suitably be allowed to expand or contract in order to secure the important over-all advantage of a more consistent rate of production at the factories.

I have said that our analysis of consumer demand was not put to effective use until the spring of 1924. It is far to say that our operations since then, showing, as they do, a substantial betterment in rate of inventory turnover, a steadier rate of factory operation and other economic betterments, have proven the constructive benefits of our practice.

Before giving you a description of our methods of forecasting consumer demand, I should state that we recognize two aspects in connection with these activities. One of these may be called the statistical, the other the constructive aspect. The statistical efforts, as the name implies, are directed towards ascertaining the statistical facts bearing upon future consumer demand. The constructive efforts are directed towards improving the probabilities. Both of these efforts go hand in hand, and our final forecasting is based upon their dual operation. I will first touch upon our statistical methods.

#### GENERAL MOTORS DIVISIONAL INDEXES

At the beginning of a sales year, we attempt to arrive at an estimate of the probable retail sales for each car division for the ensuing 12 months. If there is the problem of introducing a new model in a given line, it must, of course, be considered in forming our judgment of probable sales. We must also take into account the competitive situation and the condition of business in general as affecting our own industry. The capacity of our own dealer organization must be considered in the light of any impediments likely to restrict or hamper its sales effectiveness. Then, too, we must study the probable influence upon sales appeal of special mechanical features of the product, as well as the factors of style, general performance, and serviceability. As a result of the best judgment that we can bring to bear on the case we arrive at what we call a divisional index. This divisional index means our best guess of what the retail sales, for a particular line of cars, will be during the ensuing sales years. This does not mean that we set up an arbitrary quantity in accordance with which the production is determined, regardless of what may afterwards happen. This divisional index is under continual scrutiny, and is adjusted immediately when the trend of events demonstrates the desirability of revising our expectations.

Subject to these adjustments, the divisional index at any given time is accepted as dictating the basis upon which production should be scheduled. In other words, our production is always scheduled with regard to the expected requirements for the complete sales year. This does not mean, however, that production in any given month should be exactly one-twelfth of the year's production, for in our business there is a seasonal variation which must be taken into account, and it is usually desirable to shade production somewhat during the dull season so as to modify the seasonal accumulation of stock. A compromise is perhaps best between the desirability, on the one hand, of a level rate of production in the interest of manufacturing economies, and a fluctuating rate of production in the interest, on the other hand, of minimum stocks in the hands of dealers.

I have referred to the fact that on the 25th of each month a complete forecast is submitted by each of our divisions for the current month and three succeeding months. This includes a forecast of retail deliveries by dealers. We also have very complete information as to actual retail deliveries, by months, in the past. Thus at all times we have available the actual records of the past as well as a forecast of retail deliveries for three or four months ahead. The accumulation of these records of retail deliveries by our dealers, covering a number of years, and the analysis of State registration data have given us a very good means of appraising the ordinary characteristics of our business. We have found from experience that as we proceed with the continual analysis of deliveries and forecasts and measure our performance and prospects in the light of seasonal expectancy, we can detect changes in trends and recognize disappointments or improvements well in advance of what could be possible through any other means.

#### DETECTING CHANGES IN THE TREND

For example, let us suppose that it is the latter part of November. The divisional index was laid down August 1—which, by the way, is considered the beginning of our automobile sales year. We have actual retail deliveries for

August, September, and October. We will assume that this record was such as to support the expectancy of the divisional index. When the forecast for November, December, and January was prepared a month previous it appeared to be reasonably in line with past actual experience, seasonal conditions, and any other known influences being considered.

Since we get reports of retail deliveries from our dealers three times a month, we know what these were during the first 20 days of November. If they are in line with the forecast for November, there is no need yet, from statistical observations, to modify the divisional index. If the actual deliveries during that period are out of line with the forecast for November, that is the first flash or caution signal indicating that the divisional index may require modification.

And so we proceed month after month analyzing past performance and forecasts of retail deliveries—and during each month comparing 10-day delivery figures reported by our dealers with the latest forecast for the month. Ordinarily we do not actually modify the divisional index because of a statistical indication covering a brief period of time. We take that, as I say, as a caution signal, and watch the situation as it develops to see whether there seems to be a sustained change of trend.

An estimate of sales a year ahead is always a guess. That is why we give the name "divisional indexes" to these 12 months' estimates—to distinguish them from forecasts. As the year progresses there is a progressive diminution of the uncertainty, and our divisional index, modified as it may be from time to time, becomes an increasingly sound foundation on which to base our production programs.

#### CONSTRUCTIVE ASPECT OF FORECASTING

I have said that these indexes and forecasts are not derived solely from statistical observations. The constructive aspect is no less important in a measurement of probabilities.

Going back to our analogy of the river emptying into the ocean, the constructive part of forecasting and planning consists in deepening the channel and improving the mouth of the river so as to facilitate a maximum practical and sustainable flow. The statistical phase of forecasting lies in the continual sounding of this channel and the regulating of the flow of main stream and tributaries to accord with conditions as found and as made.

The constructive efforts in forecasting and planning take on, in turn, two aspects which I may call, respectively, long-term and short-term factors of influence. Both of these are designed to favorably affect the consumer demand for our products.

Among the long-term factors of influence on consumer demand may be mentioned the extensive program of research that is maintained in order to increase the consumer appeal of our products through improvements in design, functioning serviceability, style, etc. I call these long-term factors because from their nature they require a continuing program of some duration before their influence can make itself felt on consumer demand. The ultimate effect of these factors, which include a continuing study of product obsolescence, is of utmost importance upon consumer demand and must be taken into account in constructive forecasting. Unlike the short-term factors, however, they can not be called into play quickly to offset cessations in demand due to sudden and unforeseen depressions, characteristic of the minor fluctuations of the business cycle.

#### ENGINEERING AND SALES MUST WORK HAND IN HAND

In connection with these long-term factors of influence, the engineering and the sales departments work hand in hand. The engineers are, of course, ahead of the salesmen, from the standpoint of time, in the development of improvements calculated to anticipate as yet undeveloped consumer needs and wants. The sales department, however, through its intimate, first-hand contact with the consumers, is in the best position to appraise the present worth of projected improvements in terms of consumer reaction to them.

Particularly in the matter of style trends is the sales department able to bring to bear an adequate sense of consumer requirements. In the automobile industry, for example, engineering research could not anticipate the sudden trend toward the closed car that took place some years ago. The sales department, however, quickly sensed it. On the other hand, development of balloon tires

and four-wheel brakes, which had a tremendous influence on consumer demand, was chiefly an outcome of research and engineering development.

Short-term factors of influence on consumer demand are those that may quickly be called into play to offset unfavorable developments as they become apparent. Going back to the river again for illustration, while we keep dredges continually at work on a long-time program of channel deepening and widening, it may be necessary, on occasion, to send out a flying crew with some sticks of dynamite to blow up a sudden obstruction. These explosives correspond to the use of special sales stimulus, more intensive advertising, or even temporary underpricing, whenever these seem called for by a falling off in anticipated and logical demand.

A policy of utilizing to the utmost the stimulating factors that I have just described as influencing demand must be adopted, in forecasting and planning its sales and production, by any industry that is not merely content with taking things as they come.

I do not wish to convey the idea that forecasting and planning is of value only in so far as it may be tied up to the yardstick of ultimate consumption. It may not be possible in some industries to arrange such a tie-up as yet, especially in those stages that are remote from the final sales outlet of the completed product. As a matter of fact, forecasting and planning activities may be even more indispensable in such cases. The ideal condition, however, is that which permits consumer demand to be measured, so that the planning may be actually based upon the trends thus indicated. In our own industry, we are fortunately able to do this, because the distribution of our product is through dealers who devote substantially all of their activities to the sale of a given line. They report directly to the manufacturer and recognize the importance, in their own interest, of having the fullest use made of the yardstick of retail sales. Thus we are able, through simple means, to coordinate our forecasting and planning procedure with the important factor of ultimate consumption.

In General Motors we recognize and distinguish the benefits that come from the systematic measurement of consumer demand and those that result from forecasting and planning. Among the former, I may mention again the considerable stabilization of employment in our factories in spite of seasonal fluctuations, and the marked stimulation in inventory turnover, both in our factories and among our dealers. In other words, the more consistent rate at which we are conducting operations has enabled us to manufacture and distribute a larger quantity of cars with a smaller amount of capital tied up in inventories. Moreover, it seems safe to assume the inventory turnover of supplies has been favorably affected, since this has been the effect upon our own accessory and parts divisions.

I have described our methods of forecasting retail sales of our products, and have mentioned some of the outstanding benefits derived therefrom. Our forecasting and planning activities extend far beyond this, and afford many benefits in the direction of control of our operations not dependent solely upon the application of the consumption yardstick. The establishment of cost, expense, and investment standards, which is a part of our program, has not only made possible the establishment of standard prices with which actual or proposed prices may be compared, but it has also subjected the fundamental policies of the corporation to the test of actual experience. Increased accuracy in estimating, and a more thorough understanding of our fundamental policies by all concerned have been noticeable results.

#### STABILIZING INFLUENCE OF AUTOMOBILE INDUSTRY UPON ALL BUSINESS

The comparative stabilization of any one industry necessarily has an influence upon the stabilization of industry as a whole. This must be of particular significance when applied to the automobile business which is so important to our industrial life. We feel that the more accurate appraisal of basic requirements and the coordinated control resulting therefrom have formed a distinct step toward this end, but the important question is: Can the principles, which have worked successfully in our own industry, be applied to others?

Let us test this thought by applying it to an extreme case in an industry in which prevailing conditions present many intervening stages between producer and final consumer. Take, for example, the manufacture of cotton yarn. This product may go to a second manufacturer who operates what is known as a "Gray goods" plant, and who weaves the yarn into unbleached fabric. The

product of the "Gray goods" plant, through a selling agent, goes perhaps to a merchant converter, or finishing plant. The finished and bleached fabric, which is the product of the merchant converter, may go to a cutter-up, which is the trade name for the manufacturer of cotton apparel or furnishings. His product, in turn, goes to the retailer, which may perhaps be a department store or a mail-order house, and thence to the final consumer. In such a chain, which is common to the textile industry, but not necessarily typical of it, the manufacturer of the cotton yarn is six stages removed from the final consumer in the retail market. There are simpler hookups in the same industry, but I have purposely chosen one of the more complicated to illustrate my point. It is this: From the standpoint of the stabilization of industry, the desirable production rate of every stage in the chain should be determined, not by what the demands of the succeeding stage may happen to be, but by the state of demand of the ultimate consumer. A style trend from cotton to silk, for example, among wearers of garments is of just as vital importance to the manufacturer of cotton yarn at the beginning of this chain as it is to the retailer at the other end. The fact that the gray-goods manufacturer may be calling for his product at a high rate is no safe economic indication to the yarn manufacturer that he may increase his plant capacity.

#### STABILIZATION AN IDEAL FOR THE FUTURE

Stabilization, of course, is an ideal for future attainment. Practical considerations compel the yarn manufacturer, even though he were in position to gauge the demands of the final market, to regulate his production according to the orders from the gray goods manufacturer. For a similar reason, the latter must control his production in accordance with the demands of the cutter-up. At last, however, in this chain of supply and demand, we get down to the retailer, who is next to the final market. If the retailer (speaking collectively, of course) were able to apply the yardstick of consumer demands, and then would regulate his commitments accordingly, it is evident that the demands made by him upon the cutter-up would be in step with basic trends, and hence a sound guide to the latter in regulating his production schedules. Similarly then, the commitments made by the gray goods manufacturer on this basis would keep the yarn manufacturer also in step with the actual demands of the final market. Thus it appears that the stabilization of a multi-stage industry depends largely upon the proper regulation of commitments in the final stage in accordance with retail demand. After that, with properly applied methods of forecasting and planning, synchronization becomes a matter of one stage keeping in step with another.

I am not prepared to say what the technique should be in applying the yardstick of consumption to the final stage of such an industry. With so many important components in an industrial chain depending upon the one factor of ultimate consumer demand, it might seem profitable to apply cooperative effort toward the solution of the problem. As a matter of fact, a number of progressive department stores are now conducting systematic studies of style trends and are regulating their inventories and commitments in accordance with the conditions of demand thus disclosed. This is an illustration of efforts that are leading toward stabilization.

I have heard it said that an ideal is something that you keep shooting at but never hit. Fortunately for human progress, we possess an overwhelming desire to keep on aiming and shooting at ideals, once they have manifested themselves. Our own experience has been such as to lead us to believe, as well as to hope, that some day American business and industry will approach the ideal of stabilization sufficiently to free us from the bogey of the business cycle. When this is brought about, it will be very largely due, I am sure, to the closer and more economical control of manufacturing and merchandising operations that will follow a better appraisal of ultimate consumer demand. And intelligent forecasting and planning—vital to industrial prosperity—is the mechanism to bring this about and to remove the unnecessary hazards from the course of American business. When this is accomplished the game may not be as exciting as it is to-day, but it will be played with greater peace of mind and result in greater prosperity. For we shall know where the ball is going to go when we hit it.

**STATEMENT SUBMITTED BY ALEXANDER BING, OF THE CITY-HOUSING CORPORATION, NEW YORK CITY, ON THE EMPLOYMENT SITUATION IN BUILDING TRADES AND THE METHODS EMPLOYED FOR REGULARIZING THE EMPLOYMENT OF LABOR IN BUILDING CONSTRUCTION**

I am afraid that accurate information on the questions that you raise is difficult to obtain, although I believe that many of the unions have valuable information as to questions of employment, and that some of the research organizations have a little information, although I am afraid not any too much. Attempting to answer your questions as best I can, in the order in which you have put them, I should say:

(1) I have no accurate information as to just how irregular employment is in the building trades. I have been informed that the average employment of masons is 65 per cent, and that this figure holds approximately for other trades. My knowledge, however, is not sufficiently definite to make it possible for me to make this statement.

(2) I know of very little systematic work to provide steady employment. Mechanical improvements in the trade, referred to under No. 3, have helped. There has also been a certain amount of propaganda by organizations, such as the New York Building Congress, to induce owners and contractors to do winter work.

(3) Lack of regularity in employment in the building industry is due to two sets of causes:

(a) Seasonal idleness caused by the weather and by the existence of fixed rental seasons. These two factors tend to increase the amount of available work during the spring, summer, and fall, and to decrease it during the winter.

Considerable progress has been made in cities like New York toward leveling the curve of employment. The advent of the steel frame building, together with improvements in the installation of concrete arches, have made it possible to build through the winter with only occasional interruptions on account of very bad storms. Even so, there is substantially less work in many trades during the winter months, than at other times of the year. This is due to the fact that residential rentals commence on October 1, and that builders plan to finish their buildings at a date approximating the 1st of October. On the other hand, the office rental season is generally May 1, and at times of heavy office building construction, this somewhat balances the October 1 date for residential work.

The handicaps of freezing weather and snow removal, which entail considerable extra cost during the winter, are balanced by the fact that labor at this period is more efficient, because of scarcity of work, and that owners of equipment, such as trucks, steam shovels, etc., being anxious to procure work, are apt to eliminate profit during this period. These considerations also apply to mechanics and contractors doing such work as plastering, painting, carpentry, etc., which therefore can be done less expensively in winter than in summer. The tendency in New York City is toward increasing winter construction; outside of New York, technical improvements in reinforced concrete building have also tended to make economical construction during the winter.

(b) Depressions in the industry, at which periods there is not sufficient work to give steady employment to all. These depressions have sometimes coincided with bad business due to the business cycle. Occasionally, the building industry has suffered through overproduction at some particular place, irrespective of general business depression. While it seems likely that depressions, due to the business cycle, are less likely to occur in the future than in the past, there, nevertheless, will occur periods of overbuilding, resulting in temporary depression in the building industry.

Since the war, the building industry has been employed almost continuously, owing to a shortage which developed during the war, and to a demand for new buildings, which has resulted from general prosperity and expansion. It is reasonable, however, to look forward to occasional periods of substantial curtailment of work. The suggestion of President-elect Hoover to regulate public construction so as to reserve a certain amount of this work for periods that there is little private work, seems to me an excellent one for overcoming irregular employment due to this cause.

(4) It is difficult to answer this question, because of the exceptionally active condition of the building industry during the last 10 years, and also because of the difficulty to trace the effects, over a comparatively short period, of the rather modest efforts that have so far been made to regularize employment.

**STATEMENT SUBMITTED BY MR. M. A. STYLES, OF ABERTHAW CO., OF BOSTON, MASS., ON THE POSSIBILITIES OF REGULARIZING BUILDING CONSTRUCTION INDUSTRY AND THE EXPERIENCES OF THE ABERTHAW CO. ALONG THESE LINES**

The subject of your inquiry is recognized as probably the greatest problem that our company has to face. The months of November, December, January, and February are relatively poor months for work in the building industry. Our pay-roll curves indicate that approximately 50 per cent of our normal number of summer employees are laid off when construction work eases up with the approach of cold weather. State highway work and bridge construction is practically at a standstill in the New England States during the winter months. Industrial and commercial work is carried forward to a limited extent.

The situation as a whole is analogous to that which exists in the automobile industry, and the lines of production in the two industries follow practically the same curve.

In our own particular case, in order to alleviate unemployment we must first secure building contracts for ourselves, and this we try to do through our advertising, two illustrative bulletins concerning which we inclose herewith.

We endeavor to sell an owner the idea of building his new building during the winter months at a cost of 3 or 4 per cent extra for cold-weather expense. The owner's production may then start in March or April, compared with September or October if it had been a summer job, and the profits on production during the five or six advance months will in most cases repay for the extra cost of cold-weather expense.

Our company has been successful, through our advertising and salesmanship, in getting a fair volume of winter work on this basis, and in many cases it has been found that "cold-weather expense" is negligible or even a minus quantity because of advantageous purchases of construction materials in a weak market, and the opportunity to select highest-grade mechanics when many are seeking work.

Having secured some contracts, the problem of unemployment with us immediately takes care of itself, but we do concern ourselves in so arranging the various operations that our men will have regular work without lost time. This means furnishing temporary heat and inclosures to afford shelter while at work and reserving some interior work for the days when it is impossible to accomplish any work outside.

We answer the five questions asked in your letter of December 6, 1928, as follows:

1. How irregular was employment in your plant before you attempted to stabilize it?

Answer. The irregularity of employment continues about the same as in previous years, except that, compared with 20 years ago, we do more winter work because there is more of it available.

2. By what means did you undertake to provide steady employment?

Answer. Endeavoring to secure winter contracts through advertising and salesmanship, on the basis that winter work can be economically performed.

3. What problems did you encounter in bringing about regular employment?

Answer. The problem of locating owners who might require additional floor space.

4. How successful have you been in your efforts?

Answer. We have been able to secure enough work to keep our home office organization intact during the winter season and to keep our field forces up to about 50 per cent of normal summer organization.

5. To what extent can similar measures be applied to other plants and other industries?

Answer. A campaign to educate the public that winter building is feasible and economical and can be carried on to some extent by any builder, we think, with some favorable results.

The building industry is represented in Washington by the Associated General Contractors of America. You may probably find that they have information which may be of value to you, because every contractor seems to have the problem of winter building on his mind.

(Thereupon, at 12 o'clock m., the committee adjourned.)

## UNEMPLOYMENT IN THE UNITED STATES

WEDNESDAY, DECEMBER 19, 1928

UNITED STATES SENATE,  
COMMITTEE ON EDUCATION AND LABOR,  
*Washington, D. C.*

The committee met pursuant to adjournment, at 10.30 o'clock a. m., in room 412, Senate Office Building, Senator James Couzens presiding.

Present: Senators Couzens (chairman), Tyson, Walsh of Massachusetts, and Sheppard.

Present also, Dr. Isador Lubin of the Institute of Economics, Washington, D. C., assistant to the committee.

### STATEMENT OF BRYCE M. STEWART, OF NEW YORK CITY, N. Y.

The CHAIRMAN. Mr. Stewart, will you give the reporter your full name and your address?

Mr. STEWART. Bryce M. Stewart, Industrial Relations Counsellors (Inc.), 165 Broadway, New York City.

The CHAIRMAN. I understand that you were formerly director of the Canadian National Employment Exchange System?

Mr. STEWART. Yes, sir.

The CHAIRMAN. You understand the purpose of the meeting, Mr. Stewart. We shall be glad to have you go ahead in your own way and tell us what your experience has been.

Mr. STEWART. I have been trying to follow the hearings before the committee, and have been impressed with the fact that the gentlemen who spoke on regularization by private industry have in most cases indicated that regularization itself means the squeezing out of people, getting along with fewer people, and therefore throwing more people on the labor market itself; that in many cases those people are older people; that when one does release people for regularization purposes, one of course is apt or will try to release those that are least efficient.

The CHAIRMAN. Do I understand you to say that you got that from our hearings?

Mr. STEWART. Well, from the hearings I got the idea that they felt that regularization meant the release of more people on the general labor market; and I would follow that myself with the remark that that is likely to mean a considerable percentage of old people among those released.

The CHAIRMAN. No such testimony as that has been presented to this committee.

Mr. STEWART. Not the latter?

The CHAIRMAN. No; I thought you meant in these hearings. Mr. STEWART. No; but not the latter point, the first point, as I understood it. They did say that regularization meant the release of more people from their plants; that they were getting along with fewer and fewer by the regularization process.

The CHAIRMAN. No; there has been so such testimony as that, Mr. Stewart.

Mr. STEWART. Then I should like to make that point myself.

The CHAIRMAN. Proceed, then.

Senator TYSON. Your point is that it will have that effect?

Mr. STEWART. It will have that effect; yes, sir; that the regularization process toward which private industry is directing so much attention means that by cutting down their seasonal peaks they have more steady employment for a smaller number of workers, and that as they do release people it is only good business to release those who are least efficient; and I think students of unemployment are agreed that in time of unemployment the first people that are let out among the workers are those that are least efficient.

To me that means an ever-increasing volume of work for some kind of agency that works outside the individual plant. We have the employment agencies within the plants in this business of regularization, but the community is faced as a result of that effort with a larger element of unemployment, a greater shifting of labor, and a corresponding need for better organization as between plants and industries.

First I should like to detail something about the Canadian employment service experience. Then I would say something about employment exchanges in general and their function, and probably say something about the legislation proposed in one or two bills now before Congress in the matter of public employment offices.

Canada has a serious problem of distribution, whether it is in goods or in men. It is a long-shaped, sparsely populated country. One does not work in a square, as in the United States. The hauls are long, because the population is in a belt a few hundred miles wide just north of the border. That means that you must think in terms of long hauls; and the result has been that the railroad organization has followed the demand for long-distance transportation for goods, and one likes to think that the same considerations have led to a worker employment service as a general consideration.

Secondly, the seasonal character of employment in Canada by reason of the climate has emphasized the need for some such service. The depression of 1913 and 1914 brought the matter pretty much to a head, and employment-exchange legislation was considered by a number of agencies at that time. I was with the Department of Labor of Canada then, and was set to work studying the whole problem; but in the meantime the war broke out, the war orders began, the unemployed were recruited in regiments, and in a short time there was no serious unemployment problem. However, in 1918 we began to anticipate the end of the war and the problem of demobilization, and the work we had done in 1914 and 1915 was resurrected. There we found the recommendation for employment exchanges on a national basis, and legislation on the subject was introduced and passed.

The law—the Canadian employment offices' coordination act, as it is called—provides a Federal vote of \$150,000 to the Provinces to

assist them in their employment-office work. The Provinces to participate in the Federal grant must conform to certain standards of efficiency and they must permit Federal inspection. They must standardize their procedure and their statistics according to Federal regulation. The money is allocated to the Provinces, not on the basis of population, as is so often proposed in those measures and, as I might say in passing, in the proposed legislation now before Congress. As you gentlemen know, in allocating your advertising appropriation, or whatever it may be, it is on the basis of the needs that you feel exist and the results that can be obtained in various parts of the country as between various advertising agencies.

In Canada we tried to do the same thing with our Federal appropriation. It is allocated on the basis of the particular Province's expenditure in proportion to the total expenditure by all the Provinces. That is, if all the Provinces should spend \$300,000 on employment service and Ontario should spend \$100,000, then it would receive one-third of the Dominion Government's grant, the idea being that if they were spending a third it was because the need for the service was there.

Obviously, different localities and different industries require different degrees of employment service. One may be fairly stable; the people are seldom let out. Another may be a seasonal industry, and people are employed and released as the peaks and depressions of employment require. Some 75 employment offices were organized in cooperation with the Provinces. In one or two Provinces, the smaller ones, where the need was not felt by the Province itself, the Government in view of the demobilization problem established its own employment office. Now agreements exist between the two governments, the provincial and Dominion Governments, in all Provinces but one small Province—that of Prince Edward Island, which has only 90,000 people and is mainly agricultural.

There is a Federal director in the department of labor. He, in cooperation with the Provinces, works out the standards of efficiency. He also works out methods of clearance and distribution of labor between the Provinces. The standard as to statistics, so that we have a national figure comparable all through from one end of the country to the other, is also maintained; and they report regularly to him. He has an office in Ottawa which acts as the clearing house between the Provinces of the east, and an office in Winnipeg which acts as a clearing house for the western Provinces. Each office reports daily to the clearing house of the Province, indicating the labor that they have that they can not place locally, and the jobs that they have that they feel they can not fill locally. These are compiled in a bulletin and reported to every office in the Province, and the office that feels it has labor to fill the job is authorized to telephone or telegraph the office with the job and try to effect a placement.

The CHAIRMAN. Have you had any experience with the men which will enable you to tell whether they would be mobile to that extent?

Mr. STEWART. There are about 400,000 placements made a year, of which approximately 100,000 are casual and the balance, 300,000, are regular placements, so called.

Of the total of 400,000, the figures show that about half have to buy railroad transportation. Not only that, but the employment service has arranged with the big railroad systems of the country

for a reduced fare to workers who are being sent by an employment office to employment at a distance. If one goes more than 116 miles, and has a fare of more than \$4, therefore, he is entitled to this cheaper rate of transportation, which amounts to a reduction of about 25 per cent from the regular rate. About 10 per cent of the placements use that cheap rate, which means that they must move more than 116 miles.

In the harvest season in the Canadian grain-growing Provinces of course there is a very marked migration of labor, both from the east toward the west and from the extreme west toward the central west. The farmers in the east used to complain about the extent of the movement, and through negotiations by the director of the employment service the railroads began to recruit on the western coast as well, so that now there is a much more efficient distribution, the western labor supply for the harvest moving east to the territory contiguous to the west, and no farther; the labor from the east moving to the Provinces contiguous to Ontario, and no farther; so that the overlapping and disjointed arrangement that formerly obtained has been pretty well cleared up. In that movement we may move, inside of one month, as many as 35,000 or 40,000 harvest hands at decidedly reduced transportation rates.

Senator TYSON. Do they give them the same fare back, in the event the men want to go back?

Mr. STEWART. The fare is slightly higher on the way back, but it is a very much reduced fare; the idea being that they have had two months' employment and should be able at least to pay their way back. The railroads try to get some compensation for the very much reduced fare. I think it is only about \$15 from Montreal to Winnipeg, and a cent a mile past Winnipeg. I think you can get back, say, for perhaps \$20, or something of that sort.

Senator SHEPPARD. What about quarters or accommodations for these harvest hands? Do you give any concern to that?

Mr. STEWART. Nothing has been done thus far. I think that is a very important question—something that, before I came away, I was thinking seriously about. I left that position in 1922, and should have liked to take that on as the next step.

If I may say in two sentences what I had in mind, I had hoped to work out with the farmers' organizations a system of canteens with tents at central points through the Provinces in the west, say the militia department furnishing the tents after the summer camps and the farmers' organizations supplying the food at cost; that as these excursions moved into the west the men should be unloaded and go into reserve in these camps; that at each of these points there should be an employment office, an employment agent, tied up to the permanent employment office nearest that point; that the men should be moved out as the farmer demand came.

Of course it is a very irregular thing, on account of weather. The farmers do not like to be paying men \$5 a day when it is raining. There needs to be some system of that sort for them to move into reserve and out as demands require, according as the demand has registered and according as the weather permits.

Now they lose a great deal on account of the weather. The farmer sometimes charges them for their board when they are not getting

wages, and they sometimes come back quite disappointed. Some supplementary organization of that sort should be worked out.

Senator SHEPPARD. Sometimes the accommodations are very poor, too, are they not?

Mr. STEWART. Quite so; because farmers are of all classes, like everybody else.

The whole cost of the system is about \$400,000 a year. That means that, counting casual placements and regular placements, it costs about 10 cents to effect a placement. A third of that, approximately—a little more than a third, perhaps—is paid by the Dominion Government; or, to be exact, \$150,000 is the annual Federal grant. On that basis, of course, taking the population here, twelve times that of Canada, we would have, say, a \$5,000,000 cost for a similar organization.

Now I think I should turn to a general argument for such a system; and perhaps it would be better to enumerate some of the functions of a national system of employment offices.

Its primary function, of course, is to organize the labor market on a national basis; but it has this secondary function of being a central agency in combating unemployment by whatever method we may combat it. It is primarily an information service. It is not a matter of the Government going into business; but the Government does tell the farmers things about their occupation; it tells them about their soil; it tells the people interested in navigation as to how they should proceed; it tells the people interested in mining as to where they shall get the best results. This service tells employers seeking labor where it can be found, and tells people seeking employment where it can be found if at all available. It is information about jobs and information about people seeking jobs.

Local maladjustment is bound to exist when the market is not organized nationally. That can be ironed out a good deal, if you have a system of this sort, by this movement that we have just indicated that takes place from points of oversupply to points of demand.

There is maladjustment not only by reason of this maldistribution of the labor supply but by reason of agencies working at cross-purposes. The commercial employment agencies are, of course, not organized in any national system. It is quite possible for a St. Louis agency to be shipping labor into Chicago, and the Chicago agency to be shipping labor into St. Louis, of the same kind, on the same day. There is no relationship between the two. That also obtains for nonprofit-making socially minded employment offices dealing even with professional people and with industrial classes of workers. They are not coordinated in any way; and there is this waste and hardship by reason of the fact that this worker here could obtain a job, were they working in cooperation, near at hand; but he is being shipped out to another point a distance away, and another worker from that point may be shipped in to the job near his home.

I want to refer, just in passing, to the maladministration that comes about through public advertising of employment, the competition that exists there, and the maldistribution which results in the same way.

There we could have, through a national system, some effective coordination in the labor market which might be analogous to what

we have in banking through the Federal reserve system. Essentially, that system interlocks a lot of different banks in a system that functions nationally; and you would have, on the one hand, labor and industry enjoying in the labor market what is enjoyed through the Federal reserve system in matters monetary.

I should like to emphasize that it is not only for the industrial or agricultural worker, the wage earner. The salaried classes obtain a great deal of assistance in this way. We have experimented a little in Canada with that. One of our offices is entirely for teachers in the Province of Saskatchewan. There, by reason of the climate, again, the schools in the agricultural districts are closed a good part of the year, certainly in winter; and there is a great migration of teachers in from the east in the summer time, and then out when the teaching period is over. This office deals with teachers entirely in cooperation with the department of education of the Province. We have experimented somewhat in the same direction with other professional people; and we find that there is a great deal of migration of a certain type of professional classes. A mining engineer is a migratory person. A civil engineer is a migratory person. Their jobs very often are what a wage earner would call a casual job.

So the effect of it is largely to annihilate distance for both parties through the system of clearance that I have indicated; and I might add that that system can be extended into the international sphere.

In Canada, just after the war, we became aware that a great many people in England wanted to migrate. We had, on the side of the employers in Canada, a demand that people should be imported. The question always arose, before we had a national employment service, as to whether the need could be supplied in Canada. The immigration department ordinarily would call for evidence of effort to secure the labor in Canada. They would call for newspaper advertisement, or something of that sort; but that, of course, had to be a local affair, and could not very well be a national effort.

Now, when the immigration department receives an employer's demand or request for permission to import certain labor from the United States, from Great Britain, or from Italy, the request is referred to the employment service; and if the national director says that that labor can not be secured in Canada, if the conditions are fair and reasonable, and there is no reason why the labor should not be imported, then the immigration department proceeds on that basis.

We had an experiment of this kind. The British labor exchanges, when people in England indicated their desire to emigrate, would ask them the country of preference, and their occupations, of course. That information was compiled and forwarded to the employment service at Ottawa. That information was distributed to every employment office superintendent in the now 64 offices of the system. I remember that we had a demand for an expert dyer in a dyeing establishment in Winnipeg. We could not locate, throughout the country, any such person who wanted to move to Winnipeg. By scanning the list supplied by Great Britain we were able to pick out a man, to notify the English exchanges, and to have him dispatched to Canada from abroad to fill the job. I think one of the important

functions of such a system is to give the basic data needed for proper formulation of an immigration policy.

Senator TYSON. Do you have restricted immigration in Canada?

Mr. STEWART. We always have allowed agricultural workers and domestic servants to come in; and there has been a money qualification for some years. There is a great deal of discretion left to the immigration authorities; but there is rather a frowning on immigration for industrial workers, and encouragement of agricultural and domestic help immigration.

Senator TYSON. Then you do not have any quota system, as we do?

Mr. STEWART. We have no quota system.

Senator SHEPPARD. It is a selective system; is it not?

Mr. STEWART. Rather.

Senator TYSON. And discretionary with your commissioner of labor?

Mr. STEWART. With the immigration department, which is not the labor department.

Senator TYSON. The immigration department?

Mr. STEWART. Yes, sir; there is a good deal of discretion left there.

An employment exchange system can do much to regularize casual employment. That is something that has not been attacked yet in Canada; but experiments in that direction have been effected abroad with success, notably in longshore work, where employees, as on the Liverpool docks, have casual jobs of a few hours or a day or two; but by putting an employment-exchange system on the docks, by having all the demands for labor coming into one place, they can rotate the workers, use a limited number, and give them fairly steady employment, as against the old system of a large partially employed group waiting between jobs.

That system obtains in so many employments in Canada and the United States and obtains around our grain elevators, where the carloads of wheat come in, and the men wait in groups to assist in unloading.

We can also effect what we might call a dovetailing of seasonal employments through such a system. No one knows how many hundreds of thousands of men move from seasonal employment, such as bush work in the wintertime to farming or construction work or railway maintenance in the summer, and back again to the bush in the wintertime. There are some men who have a repertoire of jobs in occupations of that kind.

The thing is done now in an unorganized way. These men do move, and move great distances; but they move as rumor tells them to move, as a private employment agent directs, or as some newspaper report indicates that they are required. An organized system would know at once the location of the demand and the extent of the demand and would advise the movement and control the movement accordingly, especially if it had the cooperation of the railroads, such as we have in Canada, and especially if it had a reduced transportation rate.

I would not claim that a national employment exchange can relieve or ameliorate unemployment conditions resulting from great economic depressions. At best it deals with the chronic unemployment that obtains at all times by reason of maladjustment between supply and demand. Industry must have a reserve, because it has pressure

upon it to produce in irregular amounts; and when the demand comes, labor must be had. The effect of an employment-exchange system is to reduce that reserve to the smallest possible proportions. In effect, it is regularizing in the open labor market just as some of the gentlemen who have testified say they are trying to regularize and give steady work within their plants to a smaller number of people. It reduces the size of the reserve through efficient handling of the demand and of the labor supply.

Even in depressions, if we are to take action of any kind in the way of affording employment, such, for example, as is contemplated in the Jones bill, some kind of prosperity reserve, the efficient execution of any such program involves a knowledge of the amount of labor that needs to be absorbed, and the kind of labor that it is—if it is construction labor, if it is railroad labor, or if it is purely unskilled labor. Some kind of variegated program, suited to the kind of labor unemployed, would be the most efficient; so that data as to the unemployed that remain unplaced, as recorded by an employment office, and their occupations, are basic data for any such program.

When any program is adopted at such a time there must be a test. For instance, if one were affording relief of any kind, there should be some test as to whether the worker is genuinely unemployed, or whether he is merely seeking relief. We found in Canada, in the postwar depression and the period of demobilization, when the government did extend a money grant to returned soldiers who were unemployed, that it was necessary to have some such test. In the English labor exchanges—where unemployment insurance, of course, is a national institution—a man, although he has contributed to the fund, can not receive insurance unless he has registered at the employment exchange and has not refused any suitable employment that the exchange can offer.

Canada required for these returned men that they should be registered at the nearest employment office, and should get assistance only when the exchange could not furnish employment suited to their trade.

It is, then, in that sense also a necessary agency in a time of depression. In other words, if the risk has been incurred, we must find out about it; and this machinery tells us whether the unemployment risk has been incurred by the particular individual.

The CHAIRMAN. Have you any information as to the percentage of unemployed that is made up of those men who desire to roam and float around from job to job, and change from one to the other, and who, in my opinion, should not be included in the aggregate of unemployment?

Mr. STEWART. No, sir. I venture the opinion, however, that it is a comparatively small percentage of the whole. The fact that unemployment coordinates with the activity of industry seems to me to indicate that it is because industry is slack that these people are unemployed; the fact that unemployment is greater in the winter than in the summer. I should not expect people to be lazier, say, in winter than in summer. It seems to correlate with the activity of industry and the activity of agriculture; and while no doubt there is a proportion of unfit, of the loafer class, I think it is a comparatively small element.

The CHAIRMAN. That is just your judgment? You have no statistics on the subject?

Mr. STEWART. Except that I would add that in the English experience, which of course may be very different—I think usually we are supposed to be a bit more aggressive here in our working class than in European countries—inquiries on that very point as to the number of people who have tried to impose on the exchanges, to get benefit without proper qualification, have revealed a surprisingly small percentage. There have been general accusations in that direction, sir; but official investigations and independent investigations have revealed very little.

The CHAIRMAN. Have you any information to verify or to show those investigations?

Mr. STEWART. I could tell you what has been reported in that direction, sir. I should be glad to do that.

The CHAIRMAN. I should like to have it, because I have an impression that there are many people who engage in all kinds of industry, who from time to time get tired and weary, and quit and go and look somewhere else to see if they can find a job they like better; and I suspect that they are registered as unemployed because they apply for jobs.

Mr. STEWART. A good employment exchange, of course, would check up on its applicants.

The CHAIRMAN. If we had a national exchange, and there was a system prevailing for registering the unemployed, would not they be counted in in the unemployed if they came in and applied for a job? Is not such a man unemployed?

Mr. STEWART. I would not call him unemployed. I do not think a national employment exchange should call its applicants unemployed.

The CHAIRMAN. If he reports unemployed, that is all the information you have.

Mr. STEWART. I should ask him for the name of his last employer, and I should like to check up on his experience in order to make a decent placement; and unless he reported coming in from out of town, or something of that sort, which made it hard—even there, with a cooperative system, matters of this kind can be checked up.

Senator TYSON. How would you take care of a man who had no employment? It seems to me that a man who has not a job is unemployed.

Mr. STEWART. But, as the Senator says, a number of these men would be working at the time, and would apply at the exchange.

Senator TYSON. I see. Your idea is that if the man is employed now, then of course he is not unemployed?

Mr. STEWART. No; not at all.

Senator TYSON. That is not what I understood the chairman to say.

The CHAIRMAN. No; that is not exactly the type I mean. For instance, in a great industrial city like Detroit, with its probably 325,000 to 350,000 men employed, many thousands of those men quit one job and look for another, either because they hope to get a job with higher pay, or a more congenial job, or they happen to be tired of their old job; so they quit, and they go around to these employ-

ment agencies and register for jobs. They are out of employment, because they have quit their old jobs. They do not, however, represent the kind of unemployed that we are interested in.

Mr. STEWART. Not a bit.

The CHAIRMAN. I do not understand that there is any system by which they may be segregated from those who really are in need of work.

Mr. STEWART. Well, I will say that the lack of system that we now have encourages unnecessary mobility of that sort; the fact that I may quit a job in Detroit, and go to a private employment agent who will ship me, without investigation of any sort, to a job in some other industry at some other point because he gets a fee for it, and at the same time will be glad to see a man quit to give this man a place for the reason that he might get a fee for moving this other man into his old job. In other words, they thrive on movement of labor. They can not thrive on a stabilized labor market; and that gives to these workers of the class we are now speaking of a chance to move. It puts a premium on movement.

The CHAIRMAN. Not a premium on the mover, but a premium on the agency.

Mr. STEWART. Or it stimulates movement; I will put it that way. In fact, it has a tendency to make the agent go into a gang of men and hire them away. It has been done.

Another function of employment exchanges is that of vocational guidance.

Senator TYSON. It seems to me that any man who has not a job is unemployed; it does not make any difference whether he is a good man or a bad man; and the fact that he is a bad man means that he is on the community in some way, and he either has to get employment or become a public charge.

Mr. STEWART. Quite so.

Senator TYSON. Do I understand you to say that your agencies do not make any effort to get a man a job unless he is considered a good man, or has some recommendation from his last job?

Mr. STEWART. No. We would try to place the applicant, good or bad; but we would certainly try to refer the men that were most qualified for the job to which we were referring them.

A man of the class that you are referring to is very apt to keep away from an efficient employment agency. If he is seeking work, he will come. If relief of any kind is being given, he will prefer to get the relief rather than the work. But if the work is made conditional upon his being registered at the employment exchange and accepting suitable employment, I think we are dealing in rather summary fashion with that type of man.

Senator TYSON. Your idea is that if a man is not willing to make any effort, after you have done your part to get him a job, to comply and go in and take that job, then you deny him relief?

Mr. STEWART. Quite so.

Senator TYSON. Is that the way it is done in Canada?

Mr. STEWART. Since relief is not given on any kind of national scale, no. It is done in Great Britain; but I did indicate that in the one experiment, of course, it did obtain for a few years after the war with unemployed returned soldiers, if the man did not accept suitable employment.

Senator TYSON. I see. That was only temporary?

Mr. STEWART. Quite so.

Senator TYSON. But in Great Britain, as I understand it—are you speaking now about what they call the dole?

Mr. STEWART. Yes; what we prefer to call "unemployment insurance," because the man contributes to it.

Senator TYSON. Does the employee himself contribute to that dole in any way?

Mr. STEWART. Oh, yes; quite so.

Senator TYSON. In what way does he do that?

Mr. STEWART. The employer deducts a contribution regularly from his pay and puts a like contribution with that, and the Government puts in an additional contribution.

The CHAIRMAN. There are three contributors.

Senator TYSON. That is what I wanted to get at—the employee, the employer, and the Government, the three of them?

Mr. STEWART. Quite so.

Senator TYSON. And that makes up a fund?

Mr. STEWART. Yes, sir.

Senator TYSON. Can you tell me about how they regulate it in proportion to what the man would get ordinarily when he is working full time? They have to give him enough to live on, of course—to barely exist, at least.

Mr. STEWART. That is the idea. It is not enough to make him seek to live on that rather than to accept employment.

Senator TYSON. Of course, I know it is very small. They want to let him live, but at the same time make it so that he wants to get a job and get out of it?

Mr. STEWART. That is it. It is slightly over \$4 a week, generally.

Senator TYSON. Do they do that with every individual in Great Britain, whether he wants to work or not?

Mr. STEWART. In the trades to which the act applies—and it covers about 12,000,000 people; it does not cover agricultural workers and railroad workers and some other fairly stable classes of workers—as soon as the man is out of work he must report to the nearest employment exchange, and bring back with him his unemployment insurance book, which his employer has retained, and in which he has marked his contributions week by week. It shows his record; and if he is qualified, has made the required number of contributions, and has not exhausted his right to benefit by reason of previous unemployment in a year—the maximum amount of benefit that he can have in a year is 26 weeks, I think—he is entitled, after a brief probationary period, to draw a benefit from the exchange; but if the exchange can offer him suitable employment in the meantime he must accept it or his right to benefit is denied.

Senator TYSON. What do they do about people who can not qualify under those conditions?

Mr. STEWART. The only thing that can be done there is to fall back on charity, poor relief.

Senator TYSON. The community has to take care of him?

Mr. STEWART. Yes, sir.

Senator TYSON. Then they do not take care of everybody in Great Britain through this dole or this form of insurance?

Mr. STEWART. No; not everybody.

Senator TYSON. I thought practically everybody had a chance there to get a bare existence until he could get employment.

Mr. STEWART. It is a very large percentage of them. As to some men who were qualified, they might exhaust their right to benefit and still have to fall back. After a man had drawn his 26 weeks' benefit for the year, then he could not draw any more; he would have to go over to poor relief.

Senator TYSON. Then he would be absolutely on the community?

Mr. STEWART. Quite so.

Senator TYSON. Do you have any idea what number of people, so far as reports are available, are in that condition now in England and Great Britain?

Mr. STEWART. I would not like to say, sir.

Senator TYSON. Have you just an idea of it?

Mr. STEWART. No; I have no idea, offhand.

Senator TYSON. You have not seen any statistics except to the effect of so many being unemployed, say two or three million?

Mr. STEWART. Yes.

Senator TYSON. Does that include all of these men who get the dole?

Mr. STEWART. No. The usual figures give the number who are under the unemployment-insurance scheme who are unemployed.

Senator TYSON. Then there must be a great many more than that?

Mr. STEWART. I should not say a large number more, sir.

Senator TYSON. Certainly more, however?

Mr. STEWART. More.

Senator TYSON. There must be some more.

Mr. STEWART. There are more. There is no doubt about that.

Senator TYSON. I should think there would be, in times of depression, a very great number.

Mr. STEWART. Well, since most of the industries are under the unemployment-insurance scheme, except agriculture—and their people really are not unemployed in England, where it is an all-year-around contract, as a rule.

Senator TYSON. There must be a great many casuals, though, who have not any regular employment; I mean to say, in ordinary business, because agriculture in England does not amount to so very much.

Mr. STEWART. No; but there is a considerable body of agricultural workers there.

Senator TYSON. Of course, I understand that; but agricultural workers are generally employed.

Mr. STEWART. Quite so.

Senator TYSON. It is the others that they have to consider.

Mr. STEWART. Yes; but even the longshore industry is under the act.

Senator TYSON. I could very well see how that would be; but there would be many other things, like taxicab driving, or something like that, or a man who had a little bit of a business of his own, and who would go broke, and have to get out of it.

Mr. STEWART. Small business men—quite so.

Senator TYSON. There must be thousands and thousands of them.

Mr. STEWART. The figures under the act now have been running something over a million. Of late, it has been increasing a little.

I should say, just from memory, that there are probably 1,100,000 unemployed now; and then you might add 10 per cent or 20 per cent above that figure for the classes you have indicated.

Senator TYSON. I see. Do you think that is the best form of insurance for unemployment that can be evolved? I mean to say, do you approve of that? Do you think that is the best form that can be had, so far as you know at this time?

Mr. STEWART. May I answer that by relating a little experience here in this country with unemployment insurance?

Senator TYSON. Certainly.

Mr. STEWART. After I left Canada I was employed with the Amalgamated Clothing Workers, a trade-union in the men's clothing industry. We had, in Chicago, about 300 firms with 25,000 workers, a seasonal industry, these men moving about promiscuously from plant to plant. We first organized a central employment exchange, so that instead of these men chasing about from shop to shop, and there being a group of them at the gate every morning when the employment manager came into his office, they centered in the one employment office, and all the demands for employment were sent to that office, and the employees were dispatched as the demand was indicated.

That greatly cut down the reserve of labor required, because you did not have a reserve around each of 300 shops, large and small; but you had a pooling of all these reserves, and thereby, of course, diminished the total.

After a year's organization of that sort in cooperation with the employers the union set up a scheme of unemployment insurance. The employee contributed  $1\frac{1}{2}$  per cent of his pay, and the employer a like amount. A trustee board, chosen by the two sides, was set up, and the contributions of the firm and the employees were sent in every pay-roll period by the firm to the trustee board, together with what amounted to a copy of the pay roll, indicating each worker's work done in hours, his wages, and how much was deducted, so that it could be checked. It also indicated, therefore, how much unemployment he had had during the week; and benefit was paid in proportion to the wages he received. It was a percentage of wages. It is now, I think, about 35 per cent. It was 40 per cent at the beginning; but because of a very great depression in the industry it had to be reduced to 30 per cent. I think they have gotten back now a little.

That provided, in the first year, a fund of over a million dollars. The workers, however, were required to be members and to contribute for a year in order to establish a reserve before they were allowed to begin to draw benefit. In 1923 the scheme was adopted. In May, 1924, we began the payment of benefit.

The employment exchange, of course, was the necessary preliminary. They had to be registered there. If there was employment in any firm in the city for the unemployed worker, he was sent to that job. The test which you were raising as to whether or not they are genuinely unemployed was his desire to accept a job. If he refused any suitable employment, of course, he was not entitled to benefit. If, while he was drawing benefit, a suitable job could be found for him, he was offered the job, and had to take it or be struck off the list.

The highest amount of benefit paid in any year amounted to about \$100. That was all the fund would stand. Since that time the same system has been extended, with some modifications, to Rochester, which is the third largest clothing center of the country, and now to New York, which is the largest; and in Chicago the fund has been increased by a larger contribution from the employers. So that I should say now the fund will probably be a million and a quarter a year; and that amounts to more than it seems, because the number of workers in the industry has been very greatly reduced, I should say by perhaps 25 per cent, in the last four or five years.

The CHAIRMAN. That differs very little from the English system, except that the Government does not contribute. Is that it?

Mr. STEWART. The Government does not contribute.

The CHAIRMAN. In other words, the system is almost the same except for that; is it not?

Mr. STEWART. Quite so; but it is a purely industrial thing. In England there are, in a few instances, schemes like that operated entirely by employer and employee which are supplementary to the Government's scheme. The Government's scheme is really a minimum provision, I should call it, and where workers and employers desire to safeguard themselves to a greater degree against unemployment they organize a supplementary scheme.

As a matter of fact, the English act of 1920 did contemplate schemes of this sort, and made provision even for an industry to contract out of the general scheme and set up its own scheme, apart from the Government. That was later countermanded, by reason of the fact that in this serious depression the Government needed all the good, regular industries to contribute. Obviously, the industries that were least subject to the hazard of unemployment were the ones that would withdraw. I think about two industries withdrew on that basis; and then the Government saw that it would lose revenue for the whole scheme in that way, and countermanded the right to contract out.

Senator TYSON. I have read that there was some abuse of this thing, and that a good many preferred to get their dole rather than to work. Have you any knowledge on that subject; or what is your view about it?

Mr. STEWART. I will just add something to what I said a moment ago—that all the official investigations in that direction have brought out very little abuse. It is admitted, of course, that in, say, 1,100,000 unemployed, there are some impostors who will get away with the thing they are trying to accomplish; but the Government committees that have investigated this matter have not only examined records and examined their own officials, but they have invited charitable officials and any citizen who has any information on the fact, any accusation to make in that direction, to come forward; and in every instance the precipitate, the information, has been very small.

Senator TYSON. In other words, you do not think there is any very great amount of abuse?

Mr. STEWART. I do not think it is a serious abuse at all.

Senator WALSH of Massachusetts. Have you any information as to present unemployment conditions in this country?

Mr. STEWART. No, sir; not any more than any other citizen may have.

Senator WALSH of Massachusetts. Only last night the man in my office who handles the mail said he had never seen so many requests for employment and so many pathetic letters come into the office in all the time he has been with me. In fact, he added further, "Some of them bring tears to my eyes." I read some of them myself, and I wondered if these letters reflected a wider extent of unemployment than we generally appreciate.

Mr. STEWART. I am not in a situation, sir, to report on that.

Senator WALSH of Massachusetts. I find that a great many of these letters are from people previously in rather substantial circumstances—not in industry, but heads of departments in stores, insurance men, auditors, and semiprofessional men.

The CHAIRMAN. Do you mean that they are out of employment?

Senator WALSH of Massachusetts. Yes.

Mr. STEWART. Just to hazard a guess, the integration of industry, the mergers that have been taking place, the efficiency that has been accomplished in business, are eliminating men.

Senator WALSH of Massachusetts. They are eliminating a good many of these men who received substantial salaries.

Mr. STEWART. Yes, sir. That is the place where we started off again—that these men are being thrown on the market, and are searching for employment, and there is no real organized national effort to bring them in contact with the available opportunities.

The CHAIRMAN. Are there available opportunities?

Mr. STEWART. That is what we do not know.

The CHAIRMAN. I suspect that if that condition is general, there are no available opportunities.

Mr. STEWART. But, if there are no available opportunities, then at least we know the extent of the problem, and we have a factual basis for some kind of policy.

One other function of employment exchanges is that of vocational guidance. I will hurry over that.

We have this effort on the part of school authorities to direct children and young people coming from the colleges into lines of effort that are expanding. Just the other day I noticed that in France they had found that there was a great tendency on the part of young people to seek certain occupations regardless of whether there was a demand in those occupations or not, and that they had been successful in directing a very large proportion of them into more fruitful lines, to leave off their inclination to some favored occupation; and of course I noticed that in the bill that Representative Casey has introduced, on labor exchanges, provision is made for a special effort for juvenile workers, a junior section. A national system that would bring together the statistics of demand and the statistics of supply by occupations, by industries, would give the factual basis for a program of vocational guidance for young workers.

Not only that, but in view of the thing we have just been saying here there is need, I think, for a greater body of vocational information for adults. The new efficiency in industry, the new mechanization, the technological improvement in industry, means that industry can get along with fewer workers. It means the reabsorption of

these displaced people in other lines. In a great many cases it must mean retraining.

A machine is developed that annihilates, all of a sudden, a given operation or a given occupation for those auditors or insurance agents that you have mentioned, or mechanical people.

The CHAIRMAN. What would you say with regard to vocational training when it was stated here the other day that there are probably ten or twelve thousand musicians out of work because of the movietone? How could they be educated into some other activity?

Mr. STEWART. The present situation is that they get into some other activity without assistance. Studies have recently been made, not yet published, of men who have been released in this way. I know Mr. Lubin has data of that sort available; and we find those men, as a rule, getting over into occupations that do not demand too much training. They have to get into a salesman's job, some kind of service occupation, running an automobile or a truck, become taxi drivers, and so on. As a rule—I think I am right in this—they adjust themselves, as quickly as they can, into some easily acquired occupation.

The retraining, I think, often is done at a money sacrifice, because the job is so often an unskilled job. They may have more success as a salesman than as a mechanic; there is a possibility of greater income; but in so many instances it indicates a general lowering in their standard. That is all being done at these men's own expense now. They are paying the price of progress in industrial technique.

Senator WALSH of Massachusetts. Is not one of the troubles with our vocational school that they do not take into consideration the demand?

Mr. STEWART. I think it is quite so.

Senator WALSH of Massachusetts. Have you observed the condition in this country with reference to school-teaching?

Mr. STEWART. I know what you mean, sir—the oversupply of teachers.

Senator WALSH of Massachusetts. Yes. In my own State a large number of young ladies who graduated from the normal schools two years ago have been unable to get positions. I think it is stated that only about a third of those graduated last year were able to be placed; and I was inquiring, and I find that the same condition exists all over the country. Am I correct?

Mr. STEWART. I think so, sir.

Senator WALSH of Massachusetts. It seems to me that a State government that was alert to the question of supply and demand would seek some way of turning those normal schools, or some of them, into some other vocation where there was a demand, and encourage young ladies to take up some other occupation; but, so far as I know, no effort of that kind has been made. Is not that true more or less of a great many of these vocational schools?

Mr. STEWART. Quite so. They have not had the data on which to base a policy for the direction of people into expanding occupations.

I will close by saying what I have already indicated—that while a system of this sort does give information for vocational guidance, it also gives information to help in the formulation of an immigration policy, and it furnishes a valuable statistical by-product for all

these matters; and, last of all, that it is something that requires efficient administration, and must be regarded as a big business proposition, that, if not well organized and efficiently managed in a business way, is better not tackled at all.

The CHAIRMAN. Can you get that in a Federal bureau?

Mr. STEWART. I do not know, sir.

The CHAIRMAN. I thought you had had enough experience with Federal Governments to answer that.

Mr. STEWART. I am still a Canadian.

The CHAIRMAN. Do you mean by that that being still a Canadian, it is true in Canada? Is that it?

Mr. STEWART. No. We have there this advantage, if I may call it such—that our tenure in the civil service is fairly continuous; that when we establish an employment office in the city of Toronto with, say, 30 to 35 employees in it, those employees will be there as long as they can perform their jobs efficiently and they please to remain. They have developed a knowledge of their jobs, and I think are steadily increasing in efficiency.

The CHAIRMAN. There are a great many people who believe that the very opposite is true of civil-service employment. They believe that when you once get certified in the civil service you can loaf on the job as much as you like, and not get fired, because of the civil-service protection. That may sound humorous; but, at the same time, there is a great body of Members of Congress who believe that that is true of the civil service.

Mr. STEWART. There have been people dismissed, of course.

The CHAIRMAN. Oh, yes; they are dismissed, but they usually cause so much row that often the chiefs have not courage enough to dismiss them.

Senator WALSH of Massachusetts. It is largely due to lack of proper supervision. If the supervisor is not industrious and efficient, the help about him will not be.

The CHAIRMAN. Yes; and then they are very frequently cowards because they do not want to create a disturbance.

Senator WALSH of Massachusetts. Are you familiar with the collection of statistics on unemployment by the Canadian Government?

Mr. STEWART. Yes, sir.

Senator WALSH of Massachusetts. Do they collect statistics for part-time employment as well as for full-time employment?

Mr. STEWART. No.

Senator WALSH of Massachusetts. That is not done by our Government, either; is it?

Mr. STEWART. No.

Senator WALSH of Massachusetts. Do you not think something ought to be done to give to the country a proper picture of employment conditions, to gather statistics on part-time employment?

Mr. STEWART. I quite agree.

Senator WALSH of Massachusetts. I notice, for illustration, in a report that came to me from the Massachusetts department that collects statistics, that the report showed an actual increase in employment in the month of November over the month of October, but a decrease in pay roll; and when I came to examine farther down the report, I found that the decrease in pay roll was due to the fact that there had been a good deal of part-time employment.

Mr. STEWART. Quite so.

Senator WALSH of Massachusetts. Would you not, from your experience, recommend the statistical department of our Government including some system of obtaining the extent of part-time employment in our industries as well as the number of actual employees on the pay rolls?

Mr. STEWART. Yes, sir. I think there is an evolution in that direction among statistical people now.

Senator WALSH of Massachusetts. In other words, simple statistics of the number of people being carried as employees in an industry can be very misleading as to the real condition of employment or as to the real condition of prosperity of that industry?

Mr. STEWART. Quite so. You see, we started out with just the number of employed in the statistics. Then we began to develop the pay rolls, because that was a corrective on the number of unemployed. I think I am quite right in saying that the objective now is the man-hours worked in a pay period; and some agencies are making considerable headway in building up statistics of that kind, so that you know precisely the hours put in in the pay period by adding up the hours of all the employees worked.

Senator TYSON. There has been a great deal of criticism of the dole system in England. I should like to ask you what you think of it. Was it a necessity? What would have happened if they had not had it; and has it benefited the conditions rather than hurt them?

Mr. STEWART. I think England had to have it, and there would have been very serious difficulty without it; and I think that all parties in England now accept it as a piece of national machinery that will be maintained indefinitely.

Senator TYSON. In other words, you consider it a national necessity in Great Britain?

Mr. STEWART. Yes.

Senator TYSON. Is that the general opinion of people with whom you are brought in contact?

Mr. STEWART. Yes.

Senator TYSON. Is that the general opinion of, you might say, union labor in this country, so far as you know?

Mr. STEWART. I do not think union labor in this country understands the system over there or has studied it very much, and I think they are "from Missouri" about it.

Senator TYSON. Is that the opinion of the people, I might say, in Canada?

Mr. STEWART. I may say in answer to that, sir, that the committee on industrial and international relations of the Canadian House that reported early this year made the statement that it felt that unemployment insurance was just a little bit ahead—that was not the exact wording—it was something that must sooner or later be considered for Canada.

Senator TYSON. Even in Canada?

Mr. STEWART. Even in Canada; and I might say that there the labor movement is in favor of it, and is strongly urging it upon the government.

Senator TYSON. Do you think you have as much unemployment in proportion to your population in Canada as we have in this country, so far as your observation goes?

Mr. STEWART. I should think so, sir. The climatic conditions—Senator TYSON. Do you have more? I should think the seasons would be harder on people.

Mr. STEWART. The seasonal difficulty is greater. That is one reason why the United States acts as a sponge for us, in a way.

Senator TYSON. A lot of your people come into the United States to get employment when they are out of employment in Canada; do they not?

Mr. STEWART. Quite so.

If I might add just one remark, sir, in the Casey bill there is a provision—perhaps I referred to this—for the allocation of the Federal grant to the States on the basis of population.

The CHAIRMAN. You spoke with reference to it in Canada.

Mr. STEWART. Yes—well, I would quarrel with that principle, in view of the fact that the need in the different States for an employment service might not have any relation to the population of the State.

The CHAIRMAN. I think you would have some difficulty in Congress on that subject, because of the administrative latitude.

Mr. STEWART. Other conditions might prevail.

#### STATEMENT SUBMITTED BY MR. WHITING WILLIAMS, INDUSTRIAL RELATIONS EXPERT, OF CLEVELAND, OHIO, ON THE NEED FOR A NATIONAL SYSTEM OF EMPLOYMENT EXCHANGES IN THE UNITED STATES

My contact with this matter has convinced me that the ordinary unskilled worker is almost unbelievably lacking in the ability to approach effectively his problem of finding a job. In Pittsburgh, for instance, I found hundreds, if not thousands, of job seekers milling around, hour after hour, and day after day, from one factory gate to another, in the utmost of despair and with frequent exclamations of bitterness against society in general and the Government in particular—yet all the time with other factories hardly a mile away looking for workers! The whole thing struck me—and still strikes me—as causing a state of mind which, when possessed by thousands of unhappy, bitter men, represents the most serious threat against organized society and government.

In addition, it is a crime that with the general public recognition of the evil of unemployment, we continue to do nothing to build any tool by which the number of these unhappy, jobless men becomes anything but a guess.

One reason for this appears to be that a great many employers do not use either the private or the public employment exchange. The result is that most workers are probably justified in believing that, for the present at least, there is no substitute for their visiting every possible factory gate.

It is easy to understand how a lot of manufacturers might not like to trust the ordinary private exchange with the job of securing anything above the level of the most unskilled workers. Usually such exchanges are equipped to handle only the lowest-grade workers and therefore hurt the pride of the better sort of skilled men who don't like to be handled like "wops."

As to the public exchanges, my understanding is that employers tend to distrust these as too often under the control of local unions; or, if this is not the case, under the control of political henchmen serving other purposes than the greatest possible good of both seeker for men and seeker for work.

My belief is, accordingly, that (1) any government is playing with fire as long as it does nothing to lessen the bitterness of men looking, not only hopelessly but blindly, for work; that (2) there is great opportunity for larger use by both the employers and the workers of labor exchanges of some sort; that (3) proper regulation of private exchanges is very difficult, though perhaps not impossible; and that, finally, there is, in any case, great need of public exchanges whose expense is met mainly by government but whose activities are under the direction of boards comprising balanced representations

of the various interests involved—employer and employee, union and non union, men and women, private citizens and Government officials. Such a group could doubtless be given the cooperation, also, of the town's organized and federated agencies, such as, for instance, the Welfare League here in Cleveland. Possibly, even, a certain amount of financial cooperation between such a body and the Government might provide the means of helping both the employers and the worker to feel that the vital interests of all concerned would not fail to be observed.

### MEMORANDUM ON UNEMPLOYMENT EXCHANGE LEGISLATION IN FOREIGN COUNTRIES

*I. International standards.*—The first international labor conference at Washington in 1919 adopted a draft-labor treaty, outlining the essentials of a system of nationally coordinated employment exchanges. Article II of that draft treaty reads as follows:

"Each member which ratifies this convention shall establish a system of free public employment agencies under the control of a central authority. Committees which shall include representatives of employers and of workers shall be appointed to advise on matters concerning the carrying on of these agencies.

"Where both public and private free employment agencies exist, steps shall be taken to coordinate the operations of such agencies on a national scale.

"The operations of the various national systems shall be coordinated by the international labor office in agreement with the countries concerned."

In pursuance of that policy 23 countries at the present moment have adhered by ratification. These include Austria, Bulgaria, Denmark, Estonia, Finland, France, Germany, Great Britain, Greece, Hungary, India, Ireland, Italy, Japan, Luxemburg, Norway, Poland, Rumania, Yugoslavia, South Africa, Spain, Sweden, Switzerland, Netherlands (approved).

These countries have also passed the necessary legislation in application of the convention, either prior to or subsequent to ratification. In addition, the Netherlands has approved the ratification and is considering the necessary applying legislation.

*II. Existing legislation.*—The status of legislation creating national systems of employment agencies stands at the present moment as below. These include the basic acts and some orders. Special decrees or laws for special occupational groups not included.

Argentina Republic: Act of September 25, 1913.

Australia: New South Wales—Part 10 of act of 1912 on industrial arbitration, amended in 1916, 1918, 1919, and 1920. Queensland—Act of December 23, 1915. South Australia—Order in council of July 30, 1911.

Austria: Notification of December 24, 1917; act of March 24, 1920.

Belgium: Royal decree, February 19, 1924, January 19, 1925; gave legal basis to system previously existing by regulations.

Bulgaria: Law of April 12, 1925, January 1, 1926; includes unemployment insurance.

Canada: Employment offices coordination act of 1918, amended in 1920 (10 and 11 Geo. V, c. 25).

Denmark: Act of December 22, 1921; act of March 4, 1924; act of July 1, 1927.

Estonia: August 1, 1917 (since 1919).

Finland: Order of November 2, 1917; act of March 27, 1926.

France: Act of March 14, 1904; decree of March 12, 1916; act of February 2, 1925.

Germany: Notifications of the federal council of June 14, 1916, December 9, 1918, May 5, 1920; act of July 16, 1927.

Great Britain: Labor exchanges act, 1909.

Greece: Act July 1, 1920; royal decree, September 22, 1922.

Hungary: Order of the Minister of Commerce of February 17, 1917.

Irish Free State: Labor exchanges act, 1909.

Italy: Legislative decrees of November 17, 1918 and October 19, 1919; royal decrees, March 29, 1923, December 30, 1923, June 26, 1925; November 6, 1926, September 26, 1927.

Japan: Act of April 8, 1921; order June 25, 1925.

Latvia: Administrative instructions of January 21, 1921.

Norway: Act of June 12, 1906; act of June 30, 1921; since 1896.

Netherlands: Order of September 19, 1916; royal decree of April 14, 1917.

Poland: Order of January 27, 1919; act of October 21, 1921; act of March 2, 1926, and numerous decrees.

Portugal: Decrees of July 27, 1912 and May 10, 1919.

Rumania: Act of September 22, 1921.

Russia: Decree of Labour Commissaria August 21, 1924.

Serb-Croat-Slovene Kingdom: Order December 10, 1927.

Spain: Royal order of September 29, 1920; act of July 13, 1922; royal legislative decree November 26, 1926; February 14, 1927.

Sweden: Decrees of June 30, 1916, and May 16, 1918.

Switzerland: Federal resolution of October 29, 1909; general principles laid down for the working of employment exchanges, November 29, 1910; federal resolution of October 29, 1919; act of November 11, 1924 (completely new).

Union of South Africa: Act of July 25, 1924.

*Distribution of employment exchanges in 16 countries, by area and population, 1927*

Country	Number of employment offices	Population	Area, square miles	Average population per office	Average area per office
Czechoslovakia.....	437	13,613,172	54,877	31,151	126
Denmark.....	89	3,419,056	17,144	38,416	193
Finland.....	24	3,526,000	149,641	142,750	6,235
Germany.....	1,293	62,348,782	180,976	48,220	140
Great Britain.....	1,162	42,767,530	88,745	36,850	76
Hungary.....	8	8,368,273	35,901	1,046,034	4,488
Japan.....	232	59,138,000	148,756	254,905	641
Netherlands.....	40	7,416,419	13,205	185,410	330
Norway.....	48	2,649,775	124,964	55,204	2,603
Poland.....	20	29,160,163	149,140	1,458,008	7,457
Rumania.....	37	17,393,149	122,282	470,085	3,305
Russia.....	281	146,304,931	8,187,253	520,658	29,136
Serb-Croat-Slovene Kingdom.....	7	12,017,323	96,134	1,716,760	13,733
South Africa.....	268	6,928,690	472,347	25,853	1,762
Sweden.....	36	6,053,562	173,157	168,154	4,810
Switzerland.....	35	3,936,530	15,976	112,466	456
Total.....	4,017	425,041,045	10,030,498	105,810	2,497

### MEMORANDUM ON THE ORGANIZATION AND ADMINISTRATION OF PUBLIC EMPLOYMENT OFFICES IN FOREIGN COUNTRIES

*South Africa.*—(a) The Union is divided for labor purposes into eight divisions with headquarters in the largest town in each under an inspector and staff. At the headquarters, in each division, the employment exchange operates primarily for the town and further serves as a clearing house for the division generally. In rural areas subsidiary employment exchanges are established under head postmasters (some 256) who act as an intermediate clearing house for all outlying centers having subordinate post offices and postal agencies under their control. In headquarters (and a few other towns) adults and juveniles are separately dealt with, juvenile affairs boards being set up under an act administered by the department of labor. The boards cooperate closely with apprenticeship committees; and both are under the same central control as the labor exchanges.

The placing of aboriginal natives is dealt with as a free service under special control of native commissioners of the native affairs department, or by licensed recruiting officers, also as a free service. The functions of the committees referred to in paragraph 1 of article 2 are fulfilled by the national advisory council of labor, of which the minister of labor is the chairman and which is representative not only of diverse interests but also of different parts of the country, on whose behalf the members are competent to speak. The selection of the members is made by the minister, who pays due regard to the requirements as to the adequate representation of important and well-marked interests and who consults responsible organizations where necessary in making his choice. It is the duty of the council to advise the minister, inter alia, on questions of unemployment; and the operations of the employment exchanges come under periodical review in that connection. The individual members or groups of members resident in one center are regarded as acting in an advisory capacity

in respect of local unemployment in those centers. Members are from time to time called upon to serve on special committees to consider specific unemployment problems; and in that connection important committees have been appointed to deal with urban and rural unemployment, the administration of poor relief, employment on the alluvial diamond diggings, and employment by public bodies. Voluntary local committees have also been established in some of the smaller centers in conjunction with the post-office employment exchanges. The appointment of these committees has usually followed a public meeting held for the purpose by an officer of the department of labor, and the committees are selected to represent different employers' and workers' interests. The postmaster, who is in control of the local exchange, acts as chairman. The committees hold periodical meetings and consider the results of the operations of the local exchange, as well as any local problems of unemployment. Central control is exercised by the department of labor.

(b) Provision for the establishment of private employment agencies is contained in section 20 of the industrial conciliation act, 1924. Under the act an agency may not be conducted unless the proprietor is in possession of a certificate of registration which may be issued by the registrar of trade-unions and employers' organizations who, in issuing certificates, takes into consideration the need for the agency and the suitability of the applicant. A maximum scale of fees has been fixed.

(c) As regards the application of the last paragraph of article 2 the Government reports that this is a question which touches the Union very remotely and is bound up with immigration policy. No policy for the introduction of immigrants to South Africa is in force at the present time, and it is difficult to see what kind of coordination would be effective as between the system in force in the Union and systems in force in other countries. The physical fact of distance presents an almost insuperable obstacle apart from any question of policy. Should it be found desirable, however, by other countries to avail themselves of the employment exchange system of the Union, the Government would be prepared to consider any feasible means of rendering any coordination effective.

*Austria.*—(a) The system of free public employment exchanges existing in Austria does not rest upon any special legislative provisions, but has developed in practice through the enforcement of the unemployment insurance scheme, the free public employment exchange, acting as unemployment offices. The chief provisions which regulate the working of these free public employment exchanges (unemployment offices) are section 20 of the unemployment insurance act, the tenth and nineteenth orders issued under this act and the ministerial orders of May 26, 1920, and July 12, 1921. Almost all the public employment exchanges are controlled by joint administrative committees of which employers and workers are members. There are no legal provisions governing the selection of the members of these committees; as a rule they are elected by the district industrial commissions from among candidates proposed by the employers' and workers' organizations.

(b) The existing private employment agencies are of little importance, and there is no collaboration between the private and licensed employment agencies and the public employment exchanges. Efforts are being made to limit as far as possible the activities of private fee-charging employment agencies. Some collaboration with private employment agencies which are of public utility has been effected by requiring these private employment agencies to announce their establishment to the competent district industrial commission and to supply statistical reports at regular intervals. (Order of May 26, 1920.)

(c) The Austrian Government considers that it would be desirable to coordinate the working of the various national systems for finding employment, but the organization of the employment exchanges does not yet appear sufficiently developed—even in countries which have for many years been active in this respect—for the establishment of a common system to be considered. Collaboration between the various existing employment exchange systems, especially between countries which have a common frontier, seems desirable, but is difficult to realize in practice. Owing more particularly to the obstacles placed by many States in the way of those who wish to cross their frontiers, and considering that the statistical and other data available concerning the labor market are still very incomplete, it can scarcely be expected that such coordination could be successfully arranged. The first condition necessary for successful coordination would be to allow workers complete freedom in moving from one country to another.

*Bulgaria.*—(a) The act of April 12, 1925, provides in section 1 that free employment exchange work is to be carried out by employment exchanges and by employment and unemployment offices. Section 6 provides for the establishment of employment exchanges at Sofia and Philippopolis, and gives the minister of commerce, industry, and labor the power on the recommendation of the superior labor council to order the establishment of employment exchanges in localities in which there are more than 3,000 persons in permanent employment. In localities where there are no employment exchanges, it is provided in section 8 that employment-exchange work shall be carried on by local employment and unemployment offices, of which the report states that 33 are to be set up throughout the country. The employment-exchange service thus created is directed and supervised in each department by the labor inspector, and throughout the country by a special branch of the labor department of the ministry of commerce, industry, and labor (sec. 15); the service began its preliminary work on April 1, 1926, and its regular work on August 1, 1926. In sections 11 and 13 provision is made for setting up courts arbitration and labor councils in connection with each local employment office. The courts of arbitration are to be composed of a justice of the peace as chairman, together with one representative each of the employers and workers; these courts decide all disputes relating to employment exchange work, etc. The labor councils are to consist of the labor inspector as chairman, a certain number of representatives of public authorities, and three employers' and three workers' representatives nominated by their respective local organizations; the duties of these councils are to investigate the work which can be carried out in case of unemployment, and also other measures for the prevention or reduction of unemployment, the application of labor legislation and the improvement of labor conditions.

(b) As regards private employment offices it is provided in section 2 that they shall be prohibited and existing offices shall be closed not later than six months after the passage of the law. The law further provides that in every town of more than 5,000 inhabitants a communal employment exchange must be set up. Towns of less than 5,000 inhabitants, as well as large villages and rural communes must also set up employment exchanges or appoint an agent to deal with the finding of employment when this is thought necessary. Under section 6 the communal or municipal council must appoint an equal number of employers' and workers' representatives as members of the board of directors of the employment exchange. The representative organizations of employers and workers, if such exist in the district, may previously nominate their candidates for election. The council must also appoint an independent chairman.

The only private employment agencies in existence are those maintained by certain organizations and by certain special trades. These agencies, after the employment agency inspectorate has reported, are authorized by the State to exercise their functions for three years. This authorization may be renewed. As the activities of the few offices in existence is restricted to certain defined classes of employment which are not usually served by the public employment exchanges, the public exchanges are unaffected by them.

The remoteness of the country renders the finding of employment internationally of little importance at present. In accordance with the instruction given by the Chamber of Deputies in 1926 the Government insures that vacancies in the country are in the first place given to Finnish nationals. Foreign workers are, as a rule, granted permission to work only when the vacant place can not be filled by Finnish labor and when the grant of a permission to work seems to be to the general interest and not merely to the interests of individuals.

*France.*—(a) The act of February 2, 1925, to amend section 85 of Book I of the Code of Labor and Social Welfare with regard to employment exchanges and departmental employment offices maintained the existing obligation imposed upon towns of less than 10,000 inhabitants to keep a register containing offers of and application for employment and the obligation for towns of more than 10,000 inhabitants to establish a municipal employment exchange, and added a further obligation upon the departments to set up departmental employment offices. The municipal employment exchanges are at the free disposal of the public, and the duties of the departmental offices are defined as being "to organize and insure in every commune of their area the recruiting and placing, free of charge, of workers in agriculture, industry, commerce, and the liberal professions, as well as domestic servants and apprentices." The expenses of

setting up and administering municipal exchanges and departmental offices must be borne by the towns and departments concerned, and, if a town of more than 10,000 inhabitants fails to set up an exchange, it is provided that "the prefect shall take measures ex officio for its establishment, after a formal order has been given to the municipal council without effect." Municipal exchanges and departmental offices may institute trade sections for certain trades; an agricultural section must be set up in every departmental office. To every municipal exchange and departmental office, and if necessary to trade sections, is attached a managing committee composed of an equal number of wage-earning or salaried employees and employers belonging as far as possible to the trades which make most use of the exchange. Public administrative regulations prescribing the conditions to which in general the various offices, exchanges or trade sections must conform, especially as regards the constitution of joint committees, measures to insure that the placing work of the offices is carried on bona fide and free of charge, and that there is impartiality in case of labor disputes, coordination between the various exchanges and offices, etc., were issued on March 9, 1926.

The report further states that departmental offices existed in all except five departments before the passing of the act of February 2, 1925. Since the issue of the regulations of March 9, 1926, instructions for the full application of the law have been issued to the prefects of the departments concerned, and new offices have been created and others are being reorganized. At present the number of employment offices and exchanges is as follows: Seven regional offices, the operations of which extend over several departments and the duties of which are to coordinate the activities of the various departmental and municipal offices; 90 departmental offices (one in each department except in two cases); 108 municipal exchanges.

(b) As regards the coordination of the operations of employment agencies of different types, the report states that the police prefect, by order of July 10, 1920, prescribed that fee-charging agencies in the Seine department must forward to the police prefecture at the beginning of each month "a report on the operations of the agency during the preceding month, showing the number of applications for employment registered, the number of offers of employment received, and the number of workers placed, together with a statement of the kinds of employments sought, offered, and secured." The Minister of Labor has drawn the attention of the prefects to this order and has requested them to suggest that the mayors of towns in their departments, in which fee-charging agencies exist, should take similar measures. The report further states that a bill to amend sections 79, 81, 82, 83, 88, and 102 of Book I of the Code of Labor and Social Welfare, concerning the finding of employment for workers, was introduced in the Chamber of Deputies on July 12, 1927. This bill provides that "in each department, every fee-charging or free employment agency shall be required to communicate weekly, under conditions to be determined by the prefect, to the departmental public employment office, the figures of the requests for, and offers of, employment and of the vacancies filled."

(c) The report states that the international labor office, as a center of information and research, will find useful information upon the supply of labor in the Bulletin du marché du travail.

*Germany.*—(a) The public-employment services in Germany are the concern of the Federal Employment and Unemployment Insurance Institute. The organization consists of a head office, State employment offices and employment exchanges. The authorities of the Federal Institute are the administrative committees of the employment exchanges and of the State employment offices and the governing body and directors of the Federal Institute. The administrative committees consist of the chairman of the exchanges and an equal number of representatives of employers, workers, and public bodies, as assessors. The governing body and directors of the institute consist of the president of the institute acting as chairman and of an equal number of representatives of employers, workers, and public bodies, as assessors. The employers' and workers' representatives on the administrative committees of the employment exchanges and of the State employment offices are appointed from nomination lists drawn up by the employers' and workers' organizations. The employers' representatives on the governing body of the institute are elected by the employers' group of the Provisional Economic Council of the Reich; the workers' representatives are elected by the workers' group of the Provisional Economic Council. The employers' and workers' representatives among the directors of the institute are appointed by the Minister of Labor from special nomination lists drawn up by the groups concerned in the governing body.

(b) The finding of employment privately is carried on by employment agencies which do not work for profit and are outside the institute; the finding of employment privately is also done by professional agents, whose activities are permitted up till December 31, 1930. These two forms of finding employment, under section 49 (1) and section 55 (3) of the act respecting employment exchanges and unemployment insurance, are placed under the control of the institute, which also supervises their collaboration with the employment exchanges and the state employment offices.

(c) The report states that a clearer definition of the word "coordination" would be desirable. If the International Labor Office desires to arrange the coordination of the employment-exchange systems in the various countries, the German Government is prepared to take part so far as it is possible.

*Great Britain.*—(a) Free public employment agencies exist in pursuance of the labor exchanges act of 1909. Divisional and national clearing systems facilitate the work of finding places for the unemployed. In connection with each exchange there is a body known as the local employment committee appointed by the Minister of Labor and consisting in the main of representatives of employers and employed, who advise on matters concerning the carrying on of the exchanges.

(b) Coordination between the public employment agencies and the employment agencies of the trade unions which cooperate in the application of the unemployment insurance acts (1920-1926) is effected by arrangements made under section 17 of the unemployment insurance act, 1920, whereby weekly returns of unemployed members of the association are rendered, and the public employment exchanges offer vacancies when trade unions can not find employment for their members. The divisional and national clearing systems place this coordination on a national scale. The number of associations with which arrangements had been made was, at the time of the first annual report, 235 with a membership of 3,779,000. The figures for the succeeding years were: June 30, 1922, 142 associations, 1,655,000 members; June 30, 1923, 141 associations, 1,021,748 members; December 31, 1923, 142 associations, 1,007,140 members; December 31, 1924, 145 associations, 964,578 members; December 31, 1925, 143 associations, 1,103,000 members; December 31, 1926, 154 associations, 1,150,400 members; December 31, 1927, 145 associations with an approximate total membership of 1,042,540. Up to December 31, 1926, 135 local education authorities had approved schemes under section 6 of the unemployment insurance act, 1923, which permits such authorities to undertake duties in connection with the administration of unemployment benefit claimed by persons under 18 years of age under schemes approved by the board of education and the Ministry of Labor jointly.

(c) The Government reports that the state of unemployment in Great Britain is such that the introduction of labor from other countries on any appreciable scale is not necessary. The permits required when alien labor is introduced into Great Britain, however, are issued by the Ministry of Labor after consultation with the Home Office. On the other hand, on account of the differences in language and social and domestic conditions, there is little emigration of British labor to other countries except to British dominions and the United States of America. Close arrangements already exist for regulating inter-imperial migration. The United States of America immigration legislation does not provide for the transfer of labor from other continents through the machinery of employment exchanges.

*Greece.*—(a) The royal decree of September 22, 1922, concerning the establishment of employment exchanges provided for two free public employment exchanges, one at Athens and the other at Piraeus. It was further provided that these exchanges should be supervised by a committee composed of a labor inspector as president and one representative each of employers and workers, and should be required to furnish monthly statistical information to the labor directorate. In other parts of the country the duty of endeavoring to find work for the unemployed fell to the labor inspectors. The report states that a new legislative decree relating to employment exchanges and unemployment insurance is now before the Chamber of Deputies, and that the employment exchanges set up under this decree will be administered by committees constituted in accordance with the intentions of the first paragraph of article 2 of the convention.

(b) The new legislative decree provides for the coordination on a national scale of the operations of the exchanges set up under it and of private agencies.

(c) The Greek Government considers "that the present conditions in the various countries governing the entry, departure, residence, and work of emigrants only permit of a degree of coordination limited to the periodical communication by the International Labor Office to the countries concerned of the number of unemployed belonging to classes of workers who could be employed in these countries."

*India.*—In view of the absence of industrial unemployment and of the fact that the provisions of the provincial famine codes adequately meet the case of agricultural unemployment, the Government decided, after consultation with provincial governments, that the establishment of special agencies is at present unnecessary. In Madras, however, there is a labor and employment bureau to secure employment for the members of the depressed classes and South African repatriates.

*Irish Free State.*—(a) A system of free public employment exchanges exists in pursuance of the labor exchanges act, 1909. Further, under the unemployment insurance acts, practically the whole of the employed population (with the main exceptions of agriculture and private domestic service) is insured against unemployment. Insured persons, when unemployed, must lodge their unemployment books (without which employment in an insured trade can not be obtained) at an employment exchange, before they can be entitled to benefit in respect of their unemployment. Employers notify opportunities of employment to the exchange, the duty of which is to offer suitable employment to unemployed persons registered there. Benefit is paid only if such employment is not available. The system of national employment exchanges is administered by the central government through the Department of Industry and Commerce. Local offices, of which there are about 100, are established in the cities and principal towns of the country. Committees, which include representatives of employers, workers, education authorities and other local bodies or interested persons, have been appointed to advise on certain aspects of the work of exchanges. A system is in operation by which vacancies that can not be filled locally are circulated nationally from a central clearing house. This system is known as the national clearing system.

(b) The chief public employment agencies, apart from the employment exchanges set up by the State under the labor exchanges act, are those of the trade unions which work from district and branch offices. These offices keep registers of unemployed members. By means of arrangements made with associations under section 17 of the unemployment insurance act of 1920, co-ordination is effected between the employment exchanges and the trade-union branches. If the trade union can not itself find employment for its members, the employment exchange offers any suitable available vacancies to them. By means of the national clearing system mentioned above co-ordination is on a national scale.

(c) The report states that the Government will be prepared to consider any definite proposals put before it for the purpose of coordination by the International labor office of the various national systems of employment exchanges.

*Italy.*—(a) During the period under review the placing of unemployed workers has been directed by the Patronato Nazionale. This body, which was given legal personality in 1925, acts as an autonomous institution of the confederation of trade unions, with the agreement of the employers' organizations. During 1927, in addition to its other activities for the benefit of the workers in connection with labor and social welfare legislation, the Patronato has dealt satisfactorily with the finding of employment for workers under the control of the Ministries of National Economy and of Corporations. The placing of unemployed was effected in each province through special offices, which were co-ordinated with communal offices, and which were assisted in their detailed work by the regional authorities of the confederation of trade unions; the provincial offices were divided into trade sections, corresponding to the kinds of workers in the province. Each office has been supervised by committees composed of an equal number of employers' and workers' representatives nominated by the industrial organizations concerned, the chairman being ordinarily the director of the Istituto provinciale del Patronato. The offices have also acted as offices for the distribution of unemployment benefit as provided by law, and for the reception of the signatures of the workers in receipt of benefit.

(b) Private employment agencies had been prohibited in Italy under the explicit prohibition contained in section 11 of the legislative decree No. 2214 of October 19, 1919. However, by the promulgation of the codified text of the laws relating to the public safety in the royal decree No. 1843 of November 6, 1926, the possibility of carrying on private employment agencies has again been

permitted, provided that such agencies have received due authorization in the form of a special license granted by the public safety authorities. Under the same legislation, an obligation is imposed on such agencies to keep a daily register of their operations and to keep permanently posted up in a conspicuous place the list of fees which may be charged. Nevertheless, private employment agencies have no practical importance in Italy, and it has not therefore been considered necessary to take steps to coordinate their operations with those of the public offices.

(c) The Italian Government is prepared to consider any suggestions which may be made by the International Labor Office with a view to the coordination as far as may be possible, of the operations of its employment exchange system with the systems of other countries.

*Japan.*—(a) The act of April 8, 1921, provided for the establishment of free employment exchanges by the authorities of cities, towns, and villages or, with the permission of the director of the employment exchange board, by private persons or bodies. The exchanges maintained by cities, towns, and villages are subsidized by the State; they may be set up on the initiative of the local authorities or by direction of the Minister for Home Affairs. The exchanges thus established numbered 210 on December 11, 1927, of which 38 were private. From January to October, 1927, these exchanges received 2,975,970 applications for work and 2,548,007 offers of work; 2,365,800 workers were placed, and 2,181,106 applications were satisfied.

The organization of employment exchange commissions is provided for in the ordinance of February 20, 1924. In pursuance of this ordinance a central employment exchange commission has been set up, followed by the appointment of local commissions in Tokyo, Osaka, Fukuoka, and Nagoya. The functions of these commissions are to advise the administrative authorities on the work of the employment exchanges by means of replies to inquiries or by representations. The chairman of the Central Employment Exchange Commission is the director general of the Bureau of Social Affairs, whilst the chairman of the local commissions are nominated by the cabinet on the recommendation of the Minister for Home Affairs from among the members of the commissions. The number of members of the central and local commissions may not exceed 20; they are chosen, as regards the central commission by the cabinet on the recommendation of the Minister for Home Affairs, as regards the local commissions directly by the minister; they include equal numbers of persons representing the interests of the employers and persons representing the interests of the workers chosen, for the present, from amongst persons nominated by the prefects. In addition, there may be set up, to express opinions on matters relating to the management of the local employment exchanges, employment exchange commissions in the cities, towns, and villages, the members of which are to be appointed by the heads of the respective cities, towns, or villages. The regular composition and the procedure of the local commissions are also to be determined by the chief magistrates of the cities, towns, or villages, who are required to report to the directors of the employment exchange boards. The members of these commissions include an equal number of representatives of both employers and workers. The method of their appointment is, for the time being, left in the hands of the chief magistrates of the cities, towns, or villages.

(b) In order to coordinate the operations of the public and private employment exchanges there have been created, subject to the supervision of the Minister for Home Affairs, the central and local exchange boards, which include among their tasks the exchange of information. In order to facilitate coordination between the public and private employment exchanges, the heads of cities, towns, or villages and the directors of the local employment exchange boards designate one of the exchanges within their respective jurisdiction to coordinate the operations of all the exchanges. The total number of employment agencies charging fees or carried on for gain was 3,457 on October 31, 1927. Their operations included the receipt of 733,923 applications for work and 892,244 offers of work; 727,504 workers were placed, and 463,222 applications were satisfied.

(c) The Japanese Government is of opinion that there is considerable difficulty in realizing the coordination of the operations of the various national systems by the international labor office, in agreement with the countries concerned. However, it is hoped that steps may be taken to give effect thereto as far as possible.

*Norway.*—(a) The public employment exchanges act of June 12, 1906, established employment exchanges in communes, each under the control of a committee appointed by the commune and composed of a chairman and an equal number of representatives of employers and workers, who may be nominated by the employers' and workers' organizations. State supervision is carried out by the Ministry of Social Affairs, through the inspector of public employment exchanges. No fees are charged. There are at present 48 employment exchanges. Norway is divided into five employment areas for the transference of labor from one region to another. The local employment exchanges send to the central exchanges of the areas weekly reports showing the requests for and offers of employment with which they can not deal. On the basis of these reports the central exchanges draw up lists for the whole of the area, which are sent to railway stations, etc., to be posted up. The exchanges are also authorized to issue half-fare tickets to the place of work to the destitute unemployed.

(b) The free private employment exchanges in Norway have become of so little importance that it would not be worth while to coordinate their activities with those of the public exchanges. The free private exchanges which hold a concession are required, under the act of June 12, 1906, to send reports to the central statistical office.

(c) The report states that "collaboration with other countries in the finding of employment has always been practiced when an opportunity occurred. Now that the migration of labor is regulated and restricted by the legislation of various countries, the free exchange of labor between different countries is no longer very considerable. It could clearly be desirable to coordinate the system of finding employment in different countries, both as regards procedure and also as regards statistics. A special drawback is that it is difficult to compare the statistics of employment found and of unemployment in different countries." The report concludes that in this respect the International Labor Office has a task which it has not yet carried out.

*Poland.*—A system of free public employment exchanges exists in virtue of the laws and orders referred to above under I. This system included, on January 1, 1923, 38 offices in the principal towns, 18 branch offices in places of lesser economic importance and 10 communal exchanges in upper Silesia. During 1927, the public employment exchanges placed 293,935 workers, as against 324,110 in 1926, and 282,111 in 1925. Mixed advisory committees including equal numbers of representatives of employers and workers have been set up in virtue of the decree of January 27, 1919, relating to the organization of employment exchanges, and of the order of December 18, 1923, relating to the organization and powers of the joint advisory committees attached to employment exchanges. These representatives are appointed by the municipal and district councils or equivalent bodies, from candidates nominated by the industrial organizations, or, in default of such candidates, directly from the employers and workers, taking into account the economic importance of the occupations concerned. The committees advise on all matters relating to the working of the employment exchanges. In Posen and Pomerania the working of these committees is governed by an order of September 30, 1924.

(b) In addition to the public employment exchanges, there exist employment agencies carried on by social organizations in accordance with the act of June 10, 1924, and commercial employment agencies regulated by the act of October 21, 1921. The employment agencies carried on by social organizations are not to derive any financial profit from their activities, but to cover expenses they may charge employers a fee equal to 5 per cent of the first month's earnings of the person placed. In 1927 there were 158 such agencies, and the workers placed in 1926 numbered approximately 25,000. These agencies are supervised by the public exchanges, to which they must report monthly. As regards the employment agencies carried on by way of trade, section 4 of the act of October 21, 1921, provides that a permit to carry on an employment agency shall not be granted "if a sufficient number of employment agencies already exists in the locality in question, and especially if a State or other gratuitous employment exchange is in existence there and carries on its work satisfactorily." These permits may only be granted to persons who were already carrying on agencies when the act came into operation; they may be granted for one year by the minister of labor and social welfare, who specifies the occupations and localities to which the permit applies. The number of fee-charging agencies was 56 in 1927 as against 59 in 1926; they placed approximately 17,000 workers. The act of March 3, 1926, amending

section 5 of the act of October 21, 1921, extended the period of five years from the promulgation of the act, within which registry offices for domestic servants were to be abolished, to eight years.

(c) The Polish Government states that it attaches importance to the coordination provided for in the third paragraph of this article of the convention, and would like the International Labor Office to make proposals, after consulting the governments concerned, with a view to the exchange of national statistics by emigration and immigration countries and the adoption of uniform methods of placing workers.

*Rumania.*—(a) In application of the employment exchanges act of September 22, 1921, circuit employment exchanges have been established in the towns of chief commercial and industrial importance. During 1927 there were 37 such exchanges. There are also registration offices in all urban and rural communes which receive applications for employment or for labor which are communicated to the circuit employment exchanges. No fees are charged for finding employment. The sums necessary for the working of the exchanges are provided for in the general budget, upon proposals made by joint committees, regional and central (appointed by the Minister of Labor), and confirmed by the directorate of the employment exchange service. Joint committees of an equal number of workers and of employers are attached to each exchange and make proposals as regards the work of the exchanges and the budget of the exchange. These committees are under the control of the directorate of the employment exchange service. The Government intends to increase the number of circuit exchanges as the need arises. When the circuit exchanges are sufficiently numerous the regional exchanges provided for in the act will be set up; meanwhile, the circuit exchanges in localities where there are factory inspection offices act as regional exchanges. The activities of the circuit exchanges and the communal registration offices are coordinated by the central employment exchange directed by the directorate of the employment exchange service in the Ministry of Labor. During 1927 the exchanges received 115,716 applications for work and 111,459 offers of employment; 80,302 workers were placed.

(b) Fee-charging agencies have been suppressed. Provision is made in sections 7 and 8 of the act for licensing and coordinating the activities of free private employment agencies, but, although a few trade-unions have received licenses, no such agencies have been established.

(c) The report does not refer to the question of international coordination. *Spain.*—(a) The royal decree of September 29, 1920, provided for the institution of a general employment service and a service of unemployment statistics under the control of the Ministry of Labor. The results of this system had, however, not been very extensive, according to the report for 1925, and the report for 1926 stated that further provisions relating to the finding of employment had been included in the royal legislative decree of November 26, 1926, establishing a national corporative organization. This decree provided for the creation, for specified groups of trades or occupations, of joint local and interlocal committees, one of the functions of which was defined in section 17 (4) as follows: "To organize labor exchanges, in order to find at any time employment for unemployed workers, and for this purpose they shall make an occupational census of the employers and workers in their branch in the locality." The report for 1927 refers to previous reports.

(b) The report does not refer to this question.

(c) The report states that the Spanish Government considers that it is possible to apply the last paragraph of article 2 of the convention.

*Sweden.*—(a) Employment exchanges established by the general councils of the provinces and by some communes have been in existence since 1902 and uniformity in the system has been attained by imposing certain conditions which must be fulfilled before support may be granted from State funds. These conditions are laid down by the decree of June 30, 1916, amended by the decree of May 16, 1918, concerning State grants for the organization and development of the public system of exchanges. At the end of 1927 there were working 36 public employment exchanges controlling 36 employment offices and 106 branch offices, 7 of which were engaged in finding employment for certain special trades. Employment agents are also established in some localities. The direct management of the work of the various public employment exchanges devolves on special committees among whose members are an equal number of representatives of employees and workers. These committees are appointed by the provincial or communal authorities which have established the exchanges;

the employers' and workers' organizations nominate their candidates previously. During 1927 there were 517,711 applications for work; the number of vacancies was 261,539, of which 211,977 were filled.

(b) The report states that as the private employment agencies are considered as bound to disappear, no steps have been taken to coordinate their activities with those of the public employment exchanges.

(c) As regards the possibility of coordinating internationally the various national employment systems, the report states that the question does not at present seem of practical interest, at least for Sweden. So long as there is no radical change in the dearth of employment and in the restrictive immigration legislation in many countries, an increase in the exchange of labor between States can not be hoped for.

*Switzerland.*—(a) Free public employment agencies had been established by the federal decree of October 29, 1909, in the form of labor offices centrally grouped in the "Association of Swiss Labor Offices"; this system was developed by the resolution of the Federal Council of October 29, 1919, concerning unemployment benefit, which provided in section 5 for the creation in each canton of a central employment office. In 1924 the system was somewhat modified by the withdrawal on July 1, 1924, of the decree of October 29, 1919, and the issue by the Federal Council of the order of November 11, 1924, respecting public employment exchanges, the object of which is to coordinate the obligations arising from the convention for the confederation and the cantons. This order requires the cantons to set up central employment exchanges. When, however, the circumstances justify it, and if the Federal Department of Public Economy agrees, several cantons may set up a joint central exchange. In accordance with this requirement there is a central employment exchange (cantonal office) in every canton. Those cantons, moreover, in which a central employment exchange is insufficient have set up employment exchanges in the communes, or, where it was thought desirable, district exchanges covering several communes. The work of the communal or district exchanges is coordinated by the cantonal offices, that of the cantonal offices by the Federal Labor Office which publishes a daily bulletin containing the offers of and requests for employment received from the cantons. The order of November 11, 1924, further requires the formation of committees, composed of equal numbers of employers' and workers' representatives, to serve as advisory bodies in questions concerning employment exchanges. Within these limits the cantons and communes are left free to choose the method of selecting the employers' and workers' representatives, the manner of appointing, and the exact task of these committees.

The requirement that these committees must be set up has up to the present been interpreted to mean that the cantons need not set them up if special circumstances make them superfluous. If, for example, the communal employment exchanges in a canton have joint committees, it may not be necessary to require the central office to appoint a committee. On the other hand, when the central office of the canton has a joint committee it may be useless to require the communal offices to appoint them as well. In practice, out of 34 public employment exchanges in Switzerland, consisting of 20 cantonal offices and 14 communal offices, 24 have at present joint committees. These joint committees do not all perform the same tasks. While some are bodies for the supervision of the employment exchange, others are of a purely advisory nature.

(b) The order of November 11, 1924, lays down that the Federal Department of Public Economy shall take the necessary steps to coordinate the activities of free public and private employment exchanges. Some employers' or workers' organizations collaborate in the monthly statement upon the situation of the Swiss labor market. In addition, the daily bulletin prepared by the Federal Labor Office is communicated, whenever it contains information likely to interest them, to all the employers' or workers' organizations which have retained a service for the finding of employment.

(c) Every three months the Federal Labor Office communicates to the International Labor Office a list, by occupations, of Swiss workers prepared to emigrate to take work abroad. The report adds that "the coordination of the various national employment systems would be a very difficult task. It might even be asked whether it was worth undertaking so long as many countries place restrictions on immigration."

(Thereupon the committee went into executive session, after which it adjourned.)

## UNEMPLOYMENT IN THE UNITED STATES

WEDNESDAY, JANUARY 9, 1929

UNITED STATES SENATE,  
COMMITTEE ON EDUCATION AND LABOR,  
Washington, D. C.

The committee met, pursuant to adjournment, at 10.30 o'clock a. m., in room 212, Senate Office Building, Senator James Couzens presiding.

Present: Senator Couzens (chairman).

Present also: Dr. Isador Lubin, special assistant to the committee.

### STATEMENT OF ETHELBERT STEWART, UNITED STATES COMMISSIONER OF LABOR STATISTICS

The CHAIRMAN. Mr. Stewart, you came down here at the suggestion of Secretary of Labor Davis?

Mr. STEWART. Yes.

The CHAIRMAN. You have read Senate Resolution 219.

Mr. STEWART. Yes. I have not read it recently, but I think I know what it contains.

The CHAIRMAN. We would like to have you give us such information as you can with respect to the subjects which are particularly pertinent to your department, such as the extension of systems of public employment agencies, and so forth.

Mr. STEWART. On the subject of public employment agencies, Mr. Jones, of the Public Employment Service, is here, and probably will tell you more about that than I can as to what we have and what they could do if they had the means to do it.

In the nature of things there can be no statistics of unemployment without a census. If the census were taken so that we had the number of unemployed at any given time, then the Bureau of Labor Statistics, with its volume of employment, could apply that index at a given time and show the number of unemployed. In the first place, you will have to define what you mean by unemployed. The bureau's definition of that term as given in the reply to the Senate resolution in 1926 is definite. Let me explain what I mean. In January, 1928, when the employment index in manufacturing industries was 84.2 per cent, computed on the average employment in the same factories in 1923, equaling 100, the shrinkage in employment—and understand I say shrinkage in employment as against the average of 1925—was stated to be about 1,874,000. The index for November, 1928, was 87.4, or 4.2 per cent higher than in January, 1928. That is to say, we are starting out this year with a take-up in the old industries; and when I say the old industries I mean the indus-

tries that are covered by the bureau, of 4.2 per cent, which means that the shrinkage has been reduced approximately by 79,000 persons.

Now, the only way that I could get at unemployment would be to have a complete census of the unemployed taken as of some one date. Sweden took a national census of the unemployed. She found 2.2 per cent of her population unemployed. Suppose we had a census which showed unemployment here as of January, 1929, at 2.2 per cent, my index of employment being 87.7 per cent, or an unemployment of 2.2 per cent. That 2.2 per cent, of course, would be worked out to actual numbers, and employment worked out to actual numbers, and then it is possible to say that with an employment index of 87.7 per cent, and an unemployment of 2.2 per cent, if the employment index goes up, it would mean that the unemployment number went down, because then we would have an actual number to apply. In the absence of such information as that it was necessary for me to take 1925 as a base line with the statement that there was practically no unemployment in 1925. Frankly I don't know whether there was or not.

The CHAIRMAN. You started awhile ago to tell us your definition of unemployment.

Mr. STEWART. By unemployment I mean a person usually employed, at present out of work, and seeking a job. That includes the industrially unemployed. It cuts out all of the unemployable—the people who are too old to work or unable to hold a job for any reason. In other words, it cuts out the people who really belong to the social question of outdoor relief, for which industry as such is only indirectly responsible and not immediately responsible at that time. Whatever the indirect influences may be, that is entirely a sociological question and not one that the statistics can readily handle. But, as it now stands, I am able only to state the volume of employment, and we began that in 1915. In 1923 we radically increased the percentage of establishments in our index and we made that year our base line. In July, 1928, as the result of the Wagner resolution, and an increase in appropriation, we have extended that very materially. I have a statement here of the extensions and of what it shows up to date.

The United States Bureau of Labor Statistics began the work of collecting volume of employment and pay-roll data in 1915, and carried it along as best it could until 1923, when a more vigorous effort was made to widen its scope and materially increase the number of reports secured.

Its efforts, however, were confined solely to manufacturing industries. This was true up to July 1, 1928, when, as the result of the rather wild discussion of unemployment and the bureau's reply that the only answer which could be given would necessarily be based upon the change in the volume of employment, and that as shown by the sample of manufacturing industries which it carried, together with the volume of railroad-employment records carried by the Interstate Commerce Commission, Congress materially increased the bureau's appropriation with the understanding that this particular line of work should be expanded as rapidly as possible.

In June, 1928, we were carrying reports from 11,231 establishments in 54 of the principal manufacturing industries of the United States. These establishments in June had 3,091,921 employees with combined

earnings in one week of \$83,523,193. Beginning with July, 1928, the bureau began the collection of employment data in lines of industry other than manufacturing. It also took steps to increase the number of reports from manufacturing establishments.

Right here I want to say, in reply to some of the criticisms of this employment index for the manufacturing group, that it is not confined to the old lines of manufacturing. While it is true that we have not as yet developed a separate index for the manufacture of radios and refrigerating equipment, such as Frididaire, yet as a matter of fact we are getting a very considerable percentage of the volume of labor employed in these industries through the old-line establishments themselves. For instance, reports from the Westinghouse Electric and General Electric Cos. include their employees engaged in the manufacture of radio parts, electric refrigerating equipment, small motors, and all of those things which are included in the new lines of industry.

From our textile establishments we get reports which include the manufacture of rayon textiles, and so on down the long list which it is needless here to enumerate.

The volume of employment report for November, 1928, shows 11,954 manufacturing establishments reporting. This is an increase of 723 establishments over the June report. It covers 3,273,766 employees and a total weekly pay roll of \$87,870,491. The percentage of change in employment as between November and October, 1928, was a decrease of one-half of 1 per cent, while the percentage of change in volume of pay roll was a decrease of 2.8 per cent, which indicates principally a decrease in working time.

In August we added both wholesale and retail trade. The method was to take the directory of wholesale establishments and write to a selected list urging that they report to the bureau on employment and pay roll. In the November report we were able to carry 1,064 wholesale establishments employing 35,362 people. In a similar way with the retail trade we consulted the directories and the classified-business telephone directories and made similar requests upon them. To a certain extent the agents in the field on other work were used to make contacts with the retail dealers. In the November report we had 1,663 retail establishments reporting 144,772 employees, with a combined weekly pay roll of \$3,423,883. It will be noted that the percentage of change in retail establishments as between November and October shows an increase of 5.8 per cent in the number of employees with an increase of only 4.1 per cent in volume of pay roll.

Public utilities appeared for the first time in the September report, comparison being between August and September. In this classification we include electric railway and bus lines, electric power and light, gas, water, telephone, and telegraph companies. Here, also, the reporting units were selected from the directories; and the November report shows returns from 5,259 establishments employing 471,084 workers, with a combined weekly pay roll of \$13,886,101.

Anthracite and bituminous coal mining appeared for the first time in October, comparison being between September and October. The November report shows 57 anthracite coal mining establishments with 39,321 employees. The weekly pay roll for these 57 companies was \$1,247,513. Here the percentage of change as between November

and October was an increase of 1.4 per cent in the number of employees and a decrease of 6.2 per cent in volume of pay roll. Bituminous-coal companies reporting for November numbered 566, with 118,998 employees and a combined weekly pay roll of \$3,145,959, showing an increase in employment between November and October of 4.8 per cent and an increase of pay roll of 3.3 per cent, which, of course, is largely due to resumption of work after the strike.

In the November report appears for the first time information for metalliferous mining, comparison being as between November and October. In this report we carry for November 133 establishments employing 30,316 persons with a combined weekly pay roll of \$911,603. The November report shows an increase of 1.3 per cent in employees over October and an increase of 0.9 per cent in volume of pay roll.

Information for hotels is also carried for the first time in the November report, with 315 establishments reporting 55,201 employees and a combined weekly pay roll of \$957,099, representing cash payments only. As between November and October there was a decrease of 1.1 per cent in number of employees and also a decrease of 1.1 per cent in volume of pay roll.

Each of these new lines of employment information will be further developed and expanded from month to month. The total number of all establishments reporting for November was 21,001 with 4,168,820 employees and a combined weekly pay roll of \$112,466,366. Admittedly it will be several months before we can tell the real significance of any of these newer groups.

The CHAIRMAN. You refer to the out-of-work people who are a sociological problem rather than an industrial problem.

Mr. STEWART. Yes.

The CHAIRMAN. Have you at any time attempted to get at that volume?

Mr. STEWART. No; nothing but a census could do that.

The CHAIRMAN. That would require a national census, the same as our reapportionment census?

Mr. STEWART. It would require a question on the census. It would require probably two questions as to whether there was anybody above a certain age and below a certain age in a particular family out of work on the date of the census, and the age and the sex and the occupation of such person out of work, and whether they were actually seeking work at that time. That will eliminate those who are unemployable.

The CHAIRMAN. Would you get at the number of unemployable through such a method?

Mr. STEWART. Yes. Well, the number of unemployable would probably require another question, but after all, that is as I said before a sociological question and not an industrial question. The industries can not absorb the unemployable.

The CHAIRMAN. Is it of any value to society to obtain that number?

Mr. STEWART. Yes; I should say that it is of great value.

The CHAIRMAN. What would we do with the information when we got it?

Mr. STEWART. All those people have to be taken care of. We are not letting people die in this country, at least directly, to any great number; and something must be done to provide for them.

The CHAIRMAN. Is that a State problem or a National problem?

Mr. STEWART. Both. Unemployment insurance is taking care of it in a limited way in 18 countries of Europe, and in Australia and in New Zealand—no; unemployment insurance does not take care of the unemployable; that takes care of the unemployed. So far as the social side of it is concerned, it seems to me, while sociology is not my field, I would want some of the symptoms before I undertook to diagnose the case. I would not want a doctor to treat me who did not even ask me what the symptoms were or try to see whether I had a fever or not. We do not know anything about our social conditions, in other words, without just such a census as I am talking about. For instance, half a mile from Fifth Avenue is Avenue A in New York City. In Avenue A you find 5,000 people per square mile. It is more densely settled than an equal space anywhere in the world, not excepting India, China, or anywhere else. The people are sleeping four or five in a room. Of course, if we do not care anything about Avenue A, well and good.

The CHAIRMAN. Just for information, is it your idea that it is the concern of the Federal Government in respect to conditions in Avenue A, or is it the concern of the State of New York?

Mr. STEWART. Senator Couzens, is it any of the Federal Government's business whether a State whose function it is to provide education for the people provides it or not?

Is it any of the Federal Government's business that one State should have 65 to 75 per cent of illiteracy and another State have 3 or 4 per cent? I don't know how far you carry the question of the indifference of the whole to the condition of a part; but, after all, a cancer on your lip might be the business of only the lip, but you better look after it yourself, or it will get you sooner or later.

The CHAIRMAN. That is the point, whether the State should look after it or the Federal Government should come in.

Mr. STEWART. Can the Federal Government afford to see New York swayed or swamped by Avenue A?

The CHAIRMAN. Of course, you can carry that to any length you like. The question is where the responsibility lies. It is obvious that everybody is interested in the welfare of his neighbors, but there is a difference in being interested in the welfare of your neighbors and taking some particular step in that direction. In other words, we might wish our neighbor well, but the neighbor would probably resent our tell him how to be well.

Mr. STEWART. I can hardly conceive of any State resenting a count and census which would show the condition in that State as compared with other States. In fact, that is a Federal question because you can not make the States take a census. The taking of a census has always been a function of the Federal Government.

The CHAIRMAN. With that I take no exception. What I ask is, What would we do with the information when we have it?

Mr. STEWART. We would know what to do with the situation precisely as a physician would use the information he obtained in taking your temperature, your pulse count, and so on. He would at least know what his problem was.

The CHAIRMAN. After he got his problem, he would have to have the consent of the patient to act, would he not?

Mr. STEWART. Yes; but presumably he had the consent of the patient when they sent for him.

The CHAIRMAN. Not necessarily. A physician might order an operation and the patient decline to have it done.

Mr. STEWART. That is true.

The CHAIRMAN. However, what I am trying to emphasize is that there is such a conglomeration of information secured by the Federal Government in particular, which is never used after it is obtained. Great expense and trouble are involved to secure it. After it is secured nobody knows what to do with it, and nothing is ever done with it.

Mr. STEWART. Is that the fault of the information?

The CHAIRMAN. It is sometimes the fault of the absurdity in getting the information, when you know in advance that you are not going to be able to avail yourself of it either because of constitutional or temperamental reasons. The result is the same. I am not taking any position. I am trying to find out what we would do with it when we got it. We are a little off the track, so far as that part of it is concerned. I recognize that the sociological question with respect to the unemployed is a much larger factor than generally is admitted in press stories. When we lump the number of unemployed, there is no accurate designation between the unemployable and the employable. They are both problems. In my judgment they are both problems of the State particularly. Whether the Federal Government can do anything in a legislative way is a doubtful question. Whether they should is a question of policy and also a doubtful question. I am trying to get enlightenment from those of you who are engaged on this one job all of the time.

Mr. STEWART. The question of unemployment is not exclusively a State question, because the question of unemployment is a question not only of production but of purchasing power. It affects commerce, which is not a State question, which is not bounded by State lines. It may be quite possible that Michigan is not doing anything in the case of the question of copper refineries. In November, 1927, I published a statement that the output of refined copper in pounds per man per day had jumped from 610 to 1,612. I got a letter from a company dated December 28, 1928, showing that it had jumped again to 2,105. In other words, we have the three periods, 610, 1,612, 2,105, with the consequent shrinkage in employment.

The CHAIRMAN. Is that from one company or all companies?

Mr. STEWART. One company, which means a reduction of men from about 800 down to less than 200. It is possible that Michigan is not doing anything about that and does not intend to do anything about that, but the fact remains that unless those men have been absorbed in some other industries Michigan and the people of the United States have lost the purchasing power of about five-sevenths of the employees of that company. The only way that you can get at this is from a census of those working and those unemployed, because at the same time that they reduced their employees from 800 to less than 200 they jumped their product from 9,000,000 to 15,318,000 pounds per month, and they sell it. That shows that business is good. They are selling a third more copper than they did when they employed their 800 men. You can not get the conditions of labor from the volume of sales, and unless these men are reemployed

somewhere it is going to affect not only Michigan but the United States.

The CHAIRMAN. There is no question but that what affects one State affects the Nation. I am not arguing your point; I am asking the question of where the responsibility of solving the problem is.

Mr. STEWART. I think it was Abraham Lincoln who said that if his wife fell overboard from a ship he would not wait to look up the marriage certificate before he jumped in and tried to save her. I think that so long as a strict construction is not applied where it is not convenient, the strict construction of the Constitution ought to be as pliable in cases of social cancer as it is in other cases.

The CHAIRMAN. Of course, you can make those fine paraphrases and quotations from Mr. Lincoln, but it is perfectly obvious if the Federal Government is going to assume all the responsibility of the States every time something needs to be done, there is no necessity for a State taking any action at all. Why not pass it all on to the Federal Government?

Mr. STEWART. I do not mean that the Government should assume all of the responsibility, but there are certain things, like the collection of information, which the Federal Government must undertake if it is to have a complete survey, because the States do not do it. For instance, we have five States that do not report industrial accidents at all and that have no workmen's compensation law. We can not know how many accidents there are in the United States so long as those five States do not report unless we go down there and get it ourselves.

The CHAIRMAN. Have you taken any action with respect to getting those questions answered in the United States census?

Mr. STEWART. I have. That is to say, I have asked the secretary to write to the Secretary of Commerce to have those questions introduced in the census. That was months ago. I am sure that we have written two letters. Of course, at that time the census had reached no conclusion in the matter. I don't know whether they intend to introduce those questions or not.

The CHAIRMAN. Have you anything more that you would like to say, Mr. Stewart?

Mr. STEWART. On the question of employment offices in the United States, as I said, Mr. Jones has more to say about that than I, but on the question of employment offices in foreign governments we have here in the December, 1928, Monthly Labor Review an article on the employment offices and employment insurance covering the whole question as far as Europe is concerned, which I should like to submit to the committee as a part of the report.

The CHAIRMAN. Have you made any study at all as to the possibility or the desirability of cooperation between the Federal, State, and private agencies of employment? Just how could they cooperate?

Mr. STEWART. That really is a question for Mr. Jones to answer. They have been through that, I have not. Before I leave I would like to say that a survey of the unemployed in England and the study of the industrial history of 11,000 cases developed the fact that 57.7 per cent of the unemployed had no trades, never having been apprenticed and not having rubbed off enough in any industry to constitute a trade. Of the insured, only 7 per cent of those who

had a trade or had had a training were unemployed in 1926, while 13 per cent of the total of uninsured were unemployed, which indicates just as we have here, that it is the unskilled labor that is being thrown out by these new developments and new changes, and that makes them exceedingly difficult to reabsorb.

The CHAIRMAN. According to the testimony as I recall it, given by President Green of the American Federation of Labor, the fact that some of these men were trained men made it more difficult to absorb them. For example, he referred to the telegraphers who were out of work because of the radio and to the musicians who are out of work because of the talking movies. They were of such a specialized character that they were little fit for anything else.

Mr. STEWART. It would operate in that way with the highly specialized. On the other hand, they are comparatively few.

The CHAIRMAN. I would not say that.

Mr. STEWART. As compared with the common labor. This new machine that proposes to set type on the piano-player scheme and operate a linotype by telegraph 500 miles away, 25 or 30 of them at a time, is eventually going to practically end the printing trade.

The CHAIRMAN. Then what will the printers do after all of their training?

Mr. STEWART. I do not know. I will say this. Take the printers, and they are as a class, of a grade of intelligence sufficiently high that their chances of absorption in some other industry, barring the question of age, would be greater than an equal number of common laborers. Then take this new scheme of development of cultivation of the farm. Everything that can be planted in rows can be treated with this mulched paper, which not only keeps down the weeds, and makes cultivation entirely unnecessary, but insures a crop and an increase in the percentage of crop the first year which more than covers the cost of the paper, and the paper will last from four to five years. The agricultural laborers as a rule, and I want to insist upon saying "as a rule" because there are a great many exceptions, are not the type of men who can readily be absorbed in anything else, except some kind of common labor, and, when an agricultural laborer goes to the city he finds that the conveyer and the hoist truck have taken away all of the jobs which he might have gotten. I am not saying that there is no absorption, but it does seem to me that there must come a limit to the absorption. Take, for instance, the proposition to make paper milk containers as against the glass bottle. They not only are cheaper, but they are lighter, and a man on a motorcycle with a side car can handle as much as a truck with two men now, and it is coming all along the line. Take this new engine which has just been invented, which weighs practically a million pounds, which is 125 feet long. It can carry three ordinary freight trains over a mountain. It is going to do for the railroad people just what the linotype did for the printer at first. Of course, that readjusted itself. How far this question of readjustment can go, nobody can state, and that these questions are local does not appeal to me; that they are State problems, does not appeal to me. They are world problems.

The CHAIRMAN. There is no question about it. I do not disagree with you about the question of the problem part, but the question is as to who should solve the problem. In other words, has the Federal

Government the power and the responsibility of solving all these problems? In other words, are we going to have such a highly-developed centralized Government that we are going to assume all the responsibilities of sociology and economics without any aid from the States, or without any initiative on the part of the States?

Mr. STEWART. I think it is the Federal Government's business to at least compile the initial information from which to work.

The CHAIRMAN. And that you think, perhaps, is the limit to which it should go?

Mr. STEWART. That is a pretty long step. We would be pretty well satisfied if we could get that.

The CHAIRMAN. Have you anything more to say?

Mr. STEWART. I don't know that I have anything more to say. I will just leave these copies of the Monthly Labor Review with the article about foreign-employment service for the benefit of the other members of the committee.

The CHAIRMAN. Before you leave, when you responded to Senator Wagner's resolution with respect to the number of the unemployed—

Mr. STEWART. No; I said the shrinkage in employment. I did not say the number of unemployed.

The CHAIRMAN. You did not wait until I had finished the question. It was generally reported that you stated that a certain number were unemployed.

Mr. STEWART. I did not.

The CHAIRMAN. The press got that report, and there was agitation as to the accuracy of the statement.

Mr. STEWART. I never made a statement as to the unemployed. In 1921 I made an estimate of the probable unemployed. No; I will take that back. That was not a statement of the unemployed. It was a statement there again of the shrinkage from the peak of the employment in 1920 to the depth of the unemployment or the shrinkage in employment in July, 1921. I have no means any more than estimating the unemployed.

The CHAIRMAN. Did you estimate the unemployed in response to the Wagner resolution?

Mr. STEWART. No. I estimated the shrinkage in the employment.

The CHAIRMAN. I recall that toward the end of the last session there was considerable agitation, political and otherwise, as to the volume of the unemployed.

Mr. STEWART. Yes.

The CHAIRMAN. The antiadministrationists were saying that the unemployed was something about 4,000,000.

Mr. STEWART. Yes.

The CHAIRMAN. And they called upon the Department of Labor to give us information as to that, and, as I recall, there was some report saying there was about a million eight hundred thousand unemployed instead of 4,000,000.

Mr. STEWART. In that report I said that the shrinkage in the volume of employment, the shrinkage in the number of men on the pay roll was 1,874,000. I did not say that that was the number of the unemployed. I have never said anything of the kind. The estimate in 1921 of 5,735,000 was the shrinkage in the volume of the pay roll.

The CHAIRMAN. By dollars or the numbers of men?

Mr. STEWART. The numbers of names on the pay roll.

The CHAIRMAN. That is a very inaccurate report, is it not? I mean that it is a very inaccurate representation in view of the fact that a man may be on the pay roll for one day a week, and not six days a week, and yet counted as being employed?

Mr. STEWART. We took the average of a single pay roll. That is all that we can handle.

The CHAIRMAN. In other words, it does not paint a picture at all of real economic conditions, because, as I say, a man may be working one day a week or five days a week, and the fact that he is on the pay roll does not indicate his economic condition at all.

Mr. STEWART. It does not show the part time. However, we have since introduced the element of percentage of full-time operation of the plant, which helps in that a little bit. We also take the volume of money in the pay-roll period, as that goes up and down. If it goes down without the number of employees going down, it shows short time. If it goes up without a change of employment, it shows an increase in employment. Admittedly it is not a complete picture, but it is the only picture we have, and the only picture we could get with the funds we have.

Mr. STEWART. In 1928 we got the city of Baltimore to make a police census of the unemployed, which showed about 2 per cent.

The CHAIRMAN. When you say 2 per cent, then you mean 2 per cent of the employable or 2 per cent of the population?

Mr. STEWART. Two per cent of the population.

The CHAIRMAN. That does not mean very much either, does it?

Mr. STEWART. No; but it is the only thing we have that means anything.

The CHAIRMAN. I think sometimes a bad picture is worse than no picture at all.

Mr. STEWART. After all, nearly all of the figures we have applied to the population as a base. There is not any question in which it is not more or less deceptive. When you say that 75 per cent of the people of Michigan or of Iowa can read and write, the other 25 per cent may be too young to have learned to read and write. You can not tell anything about it. But that being your base, that being the base of your census, you can only make comparisons upon the census figures where they are the only figures that you have.

#### STATEMENT OF FRANCIS I. JONES, DIRECTOR GENERAL UNITED STATES EMPLOYMENT SERVICE

The CHAIRMAN. Prior to coming down here, Mr. Jones, did you give any consideration to the questions raised in Senate Resolution 219?

Mr. JONES. I have; yes.

The CHAIRMAN. Have you a statement to make?

Mr. JONES. I have no particular statement, unless you ask me a question. I shall endeavor to answer you.

The CHAIRMAN. You see the questions that we were instructed to investigate, and I thought perhaps you had prepared yourself to answer those questions.

Mr. JONES. I have not prepared any statement. I have just returned from an official visit, looking after some of our work. Per-

haps you want to know the number of offices we are in cooperation with.

The CHAIRMAN. I think you had better talk with the Secretary and prepare a statement in answer to the questions, such as your department can answer. I refer to the questions propounded or required to be answered in this resolution. In other words, it is not practical for me to go down through the list and ask questions with respect to each one of these subjects, because, obviously, I do not know the extent of them all. I understood from talking to Secretary Davis that he would send somebody down here who was prepared to give us the information that the department has about these particular questions, such as feasibility of cooperating with Federal, State, and private agencies, and the establishment of systems of unemployment insurance or unemployment reserve funds, or the establishment of employment agencies throughout the country.

Mr. JONES. I shall be glad to answer regarding the establishing of public employment offices throughout the nation. My personal information is—

The CHAIRMAN. I do not want your personal information. I want the information of the department if I can get it.

Mr. JONES. The establishment of public employment offices in the States is primarily a function of the State. I believe the Federal Government should cooperate and coordinate the efforts of all of the States in conducting public employment offices.

The CHAIRMAN. Have you given any consideration to any of these bills introduced by Senator Wagner?

Mr. JONES. I have read Senator Wagner's bill.

The CHAIRMAN. Take, for instance, S. 4167, introduced by Senator Wagner April 20, 1928. It provides for the establishment of a national employment system, and for cooperation with the States in the promotion of such system and to regulate the expenditure of moneys that shall be appropriated for such purposes. You say that you have read this bill?

Mr. JONES. Yes.

The CHAIRMAN. What are your views about it?

Mr. JONES. My views are that \$4,000,000, as I recall the amount, suggested to be appropriated for the national service—

The CHAIRMAN. I suspected that money would be the first appealing factor.

Mr. JONES. I think that is too much to conduct a United States Employment Service. It is not necessary that we should have \$4,000,000 to conduct a public employment service in cooperation with the States, provided the States will do their part. I would not want \$4,000,000 and be obliged to expend it in one year.

The CHAIRMAN. It does not require that. I wish you would take up with the Secretary the preparation of a statement concerning each one of the sections—

Mr. JONES. I shall be very glad to do that.

The CHAIRMAN. In this bill, and the opinion of the department, including the Secretary's opinion and your own, or anybody else who is consulted, and I wish you would also give us an opinion on Senator Wagner's bill, S. 4158, introduced February 20, 1928, which provides in addition to the act of March 4, 1913, for the collection of certain

statistics. I assumed when I talked to the Secretary that he would have a complete answer to all these questions before the committee which have any bearing on unemployment.

Mr. JONES. The Secretary asked me to come before the committee, and I was not aware of the questions you would ask. If I am asked questions I will endeavor to give you intelligent answers along the lines of our experience in the United States Employment Service. You want me to give answers to Senator Wagner's bill?

The CHAIRMAN. S. 4157 and S. 4158, and also S. 4307, which provides among other things that there shall be a Federal unemployment stabilization board, of which the Secretary of Labor will be a member. I would like to have the reaction of the department on that so far as it affects the Department of Labor, and I would like to have any other information that the department in all of its ramifications has to offer which will aid the committee in studying this resolution and, perhaps, arriving at something constructive. I do not want to have to do all the work of analyzing the questions and propounding them here. I think the department ought to furnish us with the information that it can, and if any questions occur to us when hearing those, we will ask them.

Mr. JONES. Very well, I shall see the Secretary to-day.

The CHAIRMAN. Have you any idea when that will be ready? You better call me up after consulting with the Secretary.

Mr. JONES. You want me to take sufficient time to consider it?

The CHAIRMAN. Yes; within two or three days.

Mr. JONES. Thank you, Senator.

**STATEMENT OF W. A. BERRIDGE, ECONOMIST OF THE METROPOLITAN LIFE INSURANCE CO., ON FOUR POINTS CONCERNING EVIDENCE OF EMPLOYMENT AND UNEMPLOYMENT IN THE UNITED STATES**

Question 1: Is there in your opinion any trustworthy data on the extent of unemployment in the United States?

Neither on the total volume of unemployment, nor on its distribution among industries, nor on its geographical distribution, nor on its duration, is there any direct evidence worthy of serious consideration. Such data as are available for organized trades are not representative of the gainfully occupied population as a whole. And such intensive local surveys as have been made in scattered places (e. g., in Columbus and in Baltimore) form too thin a sample to yield valid indications of national conditions; moreover, they differ too widely in scope, definition, and other technical respects.

To definite true "unemployment" in a manner both sound from an economic point of view and workable from a statistical point of view in questionnaire or field canvass is difficult. But even when so defined a special national survey by the direct method would be prohibitively slow and expensive. The student of unemployment is therefore thrown back upon the indirect method—that based upon changes in employment—and even then with results by no means conclusive. This method, with all its drawbacks, has two advantages: (1) That the fact of a person's being employed is inherently easier to define and determine than the fact of his being truly unemployed in an economic sense; (2) that collecting data from employers by mail is far easier than canvassing individual workers.

Question 2: In what ways do you think the present statistics on employment now being compiled by the Bureau of Labor Statistics could be improved?

(a) By collecting current monthly data from a wider coverage of employments than has been customary in the past. Until the summer of 1923 prac-

tically no current figures on employment were available except for Class I railroads and for factory industries. At that time the United States Bureau of Labor Statistics began to expand its collecting machinery, in order to cover employment in mining, in public utilities of various sorts, in retail and wholesale trade, and the like. The reporting sample in these lines is being increased as rapidly as conditions permit; also, additional lines of activity will probably be covered in due course. This is a thoroughly commendable course, indeed the only workable one, for throwing light upon the unemployment situation currently. As the numerous gaps in the employment evidence are gradually closed, we shall be able to tell to what extent the release of workers from some employment is being balanced by improvement in other lines, and to what extent such an outlet is nonavailable, thereby causing unemployment. In the past year or two there has been excessive apprehension in the public mind, because when factory and railroad employment declined it has often been assumed that the released workers became unemployed, whereas if the facts were all on record we should doubtless find that many had picked up in other lines for which employment index numbers have not been available.

(b) By periodically making suitable adjustments of the employment index numbers, to bring them into alignment with pertinent evidence from other sources, such as the biennial censuses of manufacturers. Past investigations by outsiders have conclusively shown that the sample data collected currently from reporting manufacturers by the United States Bureau of Labor Statistics yield index numbers which (for technical statistical reasons) are biased downward. That bias has contributed to the exaggerated views of the extent of unemployment. That such adjustment of the sample data to the more complete data in the censuses is practicable, is evidenced by the fact that the Federal Reserve Board has already made it, and regularly publishes the results each month.

Question 3: What suggestion would you make for a plan for keeping a more or less current index of unemployment?

In my judgment, the only practicable method is to expedite the project mentioned under heading 2 (a), then drawing the necessary inferences from the complete evidence on employment changes in conjunction with evidence on growth of the employable labor supply—population, immigration, and emigration, etc. Monthly or quarterly data from trade unions on percentage of members unemployed would give a useful, even though necessarily limited, check upon such inferences. Past studies have shown that unemployment indexes constructed from trade-union data in New York State and in Massachusetts have considerable barometric merit, i. e., as indicators of increase or decrease in the severity of unemployment, even though they are of very doubtful merit as measures of the number or percentage actually out of work at a given time.

Question 4: Would a census of unemployment taken in conjunction with the census of 1930 be of any aid in the compiling of a monthly index on employment for the years following 1930?

As a check upon current estimates derived by other methods, such a census would prove highly valuable, provided that the one or two necessary questions be properly formulated, that the field canvasser secure bona fide answers, and that the results be properly tabulated in the census publications.

A subcommittee of the Committee on Governmental Labor Statistics in the American Statistical Association has recently considered at length the possibility of including some such question in the 1930 census of population (occupations). Their recommendation, which I quote below, would involve only slight modification in the items already included at each census as to the occupation and the industry in which the worker is ordinarily gainfully employed:

"A. That the following two questions should be asked on the subject of employment and unemployment, and that they be put first, thus following good psychology in the interview:

"(1) If you are ordinarily gainfully employed are you now out of a job of any kind? (Yes or no.)

"(2) If you hold a job of any kind, are you on lay off without pay to-day? (Yes or no.)

"It would be assumed that these two questions would have to be coupled with information regarding the occupation, and we have only minor changes to suggest in the form used in 1920. Our suggested additions are underscored in the following list:

"(3) Trade, profession, or particular kind of work now being done (or, if out of a job, work done when last employed), as spinner, salesman, laborer, etc.

"(4) Industry, business, or establishment in which at work (or, if out of a job, in which last at work), as cotton mill, drygoods store, farm, etc.

"(5) Employer, salary or wage worker, or working on own account.

"B. That the occupational distribution used heretofore should be continued in the census of population, and in addition, the data should be classified for persons employed and for persons unemployed under the industrial headings used in all the other censuses, such as those of manufactures, agriculture, mines, and the proposed census of distribution."

(Thereupon, at 11 o'clock and 30 minutes a. m., the committee adjourned subject to the call of the chairman.)

## UNEMPLOYMENT IN THE UNITED STATES

MONDAY, JANUARY 14, 1929

UNITED STATES SENATE,  
SUBCOMMITTEE OF THE COMMITTEE ON EDUCATION AND LABOR,  
Washington, D. C.

The subcommittee met at 10.30 o'clock, a. m., January 14, 1929, in Room 212 of the Senate Office Building.

Present: Senator Couzens (chairman),

Present also: Dr. Isador Lubin, special assistant to the committee.

### STATEMENT OF MAJ. GARDNER S. WILLIAMS, OF ANN ARBOR, MICH., VICE CHAIRMAN AMERICAN ENGINEERING COUNCIL

The CHAIRMAN. Major Williams, you know the purpose of the hearing and what we are taking up?

Major WILLIAMS. In a general way, yes.

The CHAIRMAN. Have you seen a copy of the resolution?

Major WILLIAMS. I don't know that I have.

The CHAIRMAN. I will hand you one, and ask you to look it over, as it will enlighten you somewhat as to what we would like to have you talk about.

Major WILLIAMS. I am more or less familiar with the Jones bill, and I assume that it is along that line.

The CHAIRMAN. Go ahead and tell us what you can about the subject.

Major WILLIAMS. Perhaps it would be proper for me to say a word first as to the organization that I represent, the American Engineering Council. That is composed of representatives from some 40 or 50 engineering organizations throughout the country, the representation being in a measure in proportion to membership. It involves a membership of about 43,000 at the present time. I do not say that to be impressive, but it simply indicates that there are that many engineers in the country, who are taking some interest in public affairs.

The CHAIRMAN. That does not mean that all that number has passed on the merits of the Jones bill or the Jones proposition.

Major WILLIAMS. Very few have seen it, any more than when Congress passes a bill does it mean that every citizen in the United States is conversant with that bill. The organization of the American Engineering Council is similar to the organization of the lower House of Congress. The purpose of the organization primarily was to place the service of the engineers at the disposal of the Government in dealing with those questions upon which their advice might be of value. It is not a self-seeking organization in any way.

Nobody is getting any salary except the executive secretary and his corps of clerks, and whatever time is put in is put in gratuitously. We are allowed traveling expenses to attend to the business of the council.

The CHAIRMAN. And your position is what?

Major WILLIAMS. I am one of four vice chairmen of the council. This subject of endeavoring to balance the ups and downs of industrial performance is one that has received considerable attention on the part of the council and considerable attention on the part of myself. I had the fortune, or the misfortune, to be in the municipal employ of the city of Detroit during the panic of 1893-1895, when I was civil engineer at the board of water commissioners, and the things that I saw then impressed me very strongly with the desirability of some measures being taken to provide against a recurrence of those conditions.

The CHAIRMAN. Have we made any progress since those days?

Major WILLIAMS. You mean in Detroit, or along that line?

The CHAIRMAN. Along that line.

Major WILLIAMS. I think this investigation indicates progress. Up to this time, or up until a couple of years ago, I don't think there has been much made.

The CHAIRMAN. Have you familiarized yourself with the so-called Harding-Hoover unemployment conference in 1921?

Major WILLIAMS. I knew something of it, but I have not studied the record of it carefully. It has seemed to me that one of the things that perhaps has application in the experience of the engineers is that it is often easier to prevent a thing occurring than it is to stop it after it has got going. I look upon the proposal of the Government so adjusting its affairs that it can at times throw into the balance an increase of employment, though not much compared with that of the country, still an item, as being a factor, and likely an important factor in regulating depressions. I have a sort of belief that the psychological fact of its being known that if things got to going bad the Government will come to the rescue, in the mind of the general public would convey the idea rather of a large bit of assistance, although it may not be so large as compared with the general country, but for that reason I think that anything that the Government finds it possible to provide for will be advantageous in the end.

There are two or three questions in connection with that that I think are important. One is the proper method of handling the situation, and that is one that I do not feel competent to pass on any more than possibly pointing out one or two things that should be avoided. There should not be, as was the case in our municipal affairs in Detroit in 1893, an appropriation of a considerable amount of money to be expended and then hunting for some place to spend it. I was in a position then where I was called upon to hunt up all of the work in the city that might be needed, and the board appropriated money to carry out those things and matters were not given the study that they should have. I don't think any great mistakes were made in the rather unimportant work that I was responsible for, but I could readily see if that were the procedure in the case with the General Government it might lead to excessive loss or failure to get value received. For that reason it seems to me, and it has seemed to the council, that there should be a more far-reaching

plan of public improvement laid out, that we should not go on in so much of a haphazard way. Public work at present is laid out very largely, you might say, from hand to mouth. An idea comes up to-day and the Congress deals with it, wisely ordinarily, but not so well as if these things were being continually studied by a body of men who were qualified to do so, and who would lay out a program of, say, five years' work ahead. Then if an occasion of this kind arose you would have work already planned and approved upon which money could be expended wisely and properly. That of course calls for a greater coordination of our public works functions than we have at the present time. One of the weaknesses of our present system is that there is no coordination.

The CHAIRMAN. Coordination between whom?

Major WILLIAMS. I am speaking of our various public works; our highways, our waterways, our railroads. They are all really part of a great transportation system and they should be worked out so as to complement and supplement one another, whereas as things exist now they are carried out without any reference to each other. That is simply an example. Of course there are other activities in the matter of public buildings and so on. That is not so important. They stand in large measure by themselves, but I think whatever is connected with our transportation system ought to be under a single ultimate control; that is, it ought to head up somewhere in some sort of an advisory board that would exercise a certain direction of what is undertaken.

But that is only one single phase of this whole proposition. If the Government is going into this thing, its public work ought to be so controlled that it can be handled so as to put the money where it will do the most good. It will be not particularly desirable, I think, to increase public expenditures in New York when the difficulty is out on the Pacific coast. Then another element that comes in is just how we are going to start or what is going to be the key by which the governmental aid would be distributed, and I think that is one of the great questions to be studied in endeavoring to arrive at any solution in the way of the application of an appropriation.

The CHAIRMAN. That would require some sort of system of either employment agencies or reporting agencies as to the exact condition?

Major WILLIAMS. Yes. Of course, the ideal condition would be based on information as to unemployment, but that may involve an amount of statistical information that is not available at present, and which may be very difficult to get. It may be necessary to select some other key, as you may say, but the ideal method would be statistics of unemployment, and if those are not available you have to go to the other side and take some measure of employment, the amount of production that is going on.

The CHAIRMAN. Have you had any experience in employing large numbers of persons?

Major WILLIAMS. Not what would be called a large number of persons to-day. Of course, I have been in positions where I have been called upon to have a few hundred men under me, in one way and another, but no such number as you yourself have had, Senator.

The CHAIRMAN. Yes; but have you experienced any of the evils of unemployment? Have you seen any of the evils of unemployment outside of your experience with the water board in Detroit?

Major WILLIAMS. I have seen it at various times all during my life. I was born and brought up in the Saginaw Valley, and we used to have all manner of bad times up there.

The CHAIRMAN. Do they still have them?

Major WILLIAMS. Not to the extent that they used to. I think the Federal Reserve Act has done a great deal toward ameliorating the possibilities of those disturbances that used to come almost periodically, and were very much worse than anything we have had since.

The CHAIRMAN. Have you had any experience with any State or private employment agency?

Major WILLIAMS. No; I can not say that I have, any more than when we have wanted men and have gone to private agencies and obtained them sometimes and sometimes not.

The CHAIRMAN. So that your main line of testimony deals with the question of public planning for a program of State employment?

Major WILLIAMS. Yes; I should say that is the main proposition I would put up to you here as a general one. I believe this—that if the General Government started a program of this kind it would be followed to a greater or less extent by the State governments.

The CHAIRMAN. Did you see the report of Governor Brewster or mention of it at the time he spoke at the convention of governors in the city of New Orleans?

Major WILLIAMS. Yes; I saw that.

The CHAIRMAN. It was generally supposed that that was approved by President-elect Hoover?

Major WILLIAMS. It quite possibly was.

The CHAIRMAN. Did you study the plan as he outlined it at the governors' convention?

Major WILLIAMS. I could not say that I studied it, but the general impression I got of it was that it had not been thoroughly discussed, that it was an idea set out in a rather appealing fashion, or a fashion to attract attention, but that so far as being a workable program, it did not impress me as having gotten to that detail.

The CHAIRMAN. Do you believe that this program can be centered in any one point, or do you believe it would have to be done by the Federal Government and the several political subdivisions.

Major WILLIAMS. To get the most out of it you have to bring them all into it, but my belief is that if the Federal Government started it, the States would follow pretty soon, and there might be developed, probably would be, a system by which they would all "play the game," so to speak. Of course, the Federal Government has no power to compel that.

The CHAIRMAN. No. Would it be your opinion that it would be wise to do it under a general head, or had we not better leave it to the individual initiative of the several communities and States?

Major WILLIAMS. I rather feel that so far as the national depressions are concerned, the Federal Government might wisely lead. Of course, if it is simply a local affair like a slump, perhaps, in the automobile trade, I should say that that would be a matter for the State to take care of itself.

The CHAIRMAN. Of course, the best that might be done, it seems to me, would be for the Federal Government to set the example and for the various political subdivisions to follow. The plan was rather ridiculed by some of the press at the time—that is, the plan pro-

posed by Governor Brewster—on the assumption that it was contemplated to accumulate in one place and spend some \$3,000,000,000 for public improvements. Did you get any such conception as that from the plan?

Major WILLIAMS. No; I did not. I quite agree with you that what the General Government would be doing would be setting an example, and that the General Government is probably in a better position than any State government to be the leader for the reason that it is in possession or that it can get itself into possession of the information necessary to make an intelligent start. When the General Government says that the condition exists where help is needed, then the State would undoubtedly to a very considerable extent follow suit. But I hardly conceive that the States would be in as good position to carry out a program of that kind as the General Government. That is, the General Government would be in a position to start it more quickly than the States.

The CHAIRMAN. I think that the smaller unit would start more easily. In other words, if the State of Michigan had a depression, and they have a program now for spending some \$25,000,000 for—

Major WILLIAMS. Highways?

The CHAIRMAN. No; for keeping the mentally deficient; they are backward in that respect; and it is conceivable that the legislature might appropriate that and leave it up to the governor or to his administrative board to spend it here and there, wherever it would do the most good, to stabilize employment. I think that sort of unit is more easily operated than the Federal Government is.

Major WILLIAMS. There has been a suggestion with regard to the Federal appropriation that it might be handled by providing for a reduction of the payment of the public debt. That struck me personally as rather a good suggestion. That is, that in time of such emergency when funds were called for immediately, and for the prosecution of public work in relation to unemployment, that for the time being the payments on the public debt might be suspended, to avoid a special taxing or selling of additional bonds to supply the money, that you would simply temporarily reduce the payment of the public debt, and that would avoid the necessity for creating a reserve; and to some of us it looks as though a reserve set up for this purpose might not be altogether desirable. You as a business man probably appreciate that.

The CHAIRMAN. That is a mere piece of mechanics that does not present any obstacles, because we have deficiency appropriations right along; and I think they can be provided for at the proper time. Have you any other advice that you can give the committee with respect to this resolution?

Major WILLIAMS. I don't know that I have, Senator. I was called here rather unexpectedly.

The CHAIRMAN. Doctor Lubin, have you any questions that you desire to ask?

Doctor LUBIN. I wondered if I might ask a question about the advisability of collecting information so that we might have some index that would guide us in the event we wanted to do something. Are you at all acquainted with the available statistical information on the subject of unemployment and employment?

Major WILLIAMS. I could not say that I am well acquainted with it. I know something of it, of course, but it is far from complete. My information is that you do not have at the present time suitable information to use, and unemployment information is the key to the operation of this program. What the cost would be of getting satisfactory results, how much that would involve, I don't know, but the cost, I think, would involve rather a large program.

Doctor LUBIN. You know the index they use in the Jones bill in regard to building construction?

Major WILLIAMS. Yes.

Doctor LUBIN. Do you think that is a worth-while index?

Major WILLIAMS. I did not approve of that index in the form it appeared in the bill for the reason that as I recall it the bill provided that the index basis was the contracts awarded for construction. A contract may be awarded that means five years' work, or that means six months' work, and the one that means five years may be awarded this month and next month there may be no corresponding contract awarded, so that that measure taken as from month to month or even from year to year would, I think, be likely to be misleading. It would seem to me that it would be better if it were worked on something that was more immediately responsive to the condition, as, for instance, the orders for materials actually placed or shipments, something that gets closer to the immediate daily performance. The trouble with the contract is that we don't know whether it is going to be executed this month or next month or five years from now.

Doctor LUBIN. Do you think it advisable to elaborate the material we are already collecting on the question of unemployment and employment?

Major WILLIAMS. I am not prepared to pass judgment on that, but it would seem to me that if anything of that kind is done it would be desirable to pick out possibly certain key agencies or key industries that would be fairly representative of conditions in various parts of the country and depend upon the statistics from those rather than trying to get everything, because the cost of getting everything would be, I think, almost prohibitive.

The CHAIRMAN. Are you familiar with the method used by the Labor Department in computing employment?

Major WILLIAMS. I am not familiar with their actual processes. Of course, I see their reports occasionally.

The CHAIRMAN. Have you any other questions, Doctor Lubin?

Doctor LUBIN. No.

The CHAIRMAN. Are you now connected with the University of Michigan?

Major WILLIAMS. No; I left the university in 1911 and have been in private practice as a consulting engineer since that time.

The CHAIRMAN. Thank you very much for coming down here. Major Williams.

#### STATEMENT SUBMITTED BY OTTO T. MALLERY, PHILADELPHIA, PA., ON FEDERAL PUBLIC WORKS AS A PROSPERITY RESERVE

Many sound and well-managed businesses stood on the brink of disaster in 1921. During the preceding century, periods of depression similar to 1921 occurred every 5 to 10 years. During these successive periods many a capable

business man, after a lifetime of success, contemplated a bullet in the brain as the only way out. Bread lines were long and desolate as the faces of the hungry unemployed. The picture of an army of willing and capable workers idle through no fault of their own was made a bitter indictment of the ruling forces of society, whoever these were supposed to be. Capitalists, profiteers, labor-saving machinery were the favorite devils—large-scale machinery that eliminates workers faster than the consumers' market develops. Waste, suspicion, fear prevailed until the need was felt of a remedy rather than a convenient devil to relieve the emotion upon.

The public works reserve is one of these constructive economic remedies, not a universal panacea, but a necessary governmental contribution to any effective program, even after employers and industry have done their utmost. It is a determined policy to expand and contract public works in accordance with the ups and downs of business activity.

The United States Senate has before it two bills to develop this policy. One has been piloted by Senator Wesley L. Jones, of Washington, to a favorable report by the Committee on Commerce and to the floor of the Senate. This "prosperity reserve" bill (S. 2745) authorizes a reserve of \$150,000,000 to be expended upon Federal public works only when an industrial storm is rocking the ship. The storm signal is a 10 per cent fall in the volume of all construction contracts for a three months' period as compared with the average of the same period for the three preceding years.

Picture what would happen if this bill passes and a depression occurs. The construction bureaus of the Government would have had years of notice to be ready with plans. The Supervising Architect of the Treasury, for instance, would have specifications ready for post offices in all the towns which Congress had authorized but not appropriated for. The Bureau of Public Roads would have made its plans to speed up the extensive road building which it helps the States pay for. The storm signal is hoisted. The President, under the terms of the bill, asks Congress for the appropriations previously authorized. The old-time debates are short-circuited as to whether there is unemployment, if so whether it is greater than at some other time, or greater than when the debate began. The number of unemployed has always been as troublesome a question as "How old is Ann?" Whatever is to be done will be done promptly. Work will be started. Materials will be made. Commodities will flow over the railroads, and new purchasing power created.

If Congress should not be in session some unavoidable delay may occur, but in recent years Congress has been in almost continuous session. Anyhow, we must accept this limitation because Congress would give the Executive branch a free hand with such a potent reserve only with the greatest reluctance.

In discussing the Jones bill Senator Robert M. La Follette, jr., asked if the amount of construction contracts was the best index of business activity. Ex-Senator George Wharton Pepper replied: "Perhaps not, but it is the simplest. The world can not be saved by any complicated scheme." Salvation by higher mathematics would bring unemployment to St. Peter himself. "I think," Senator Pepper resumed, "that this simple proposal can be presented to the public mind in such a way that the cities and States will follow suit." So the volume of construction contracts was chosen because so simple and because so quickly and authoritatively ascertained—like stock quotations. It is far from being a perfect index, but all others suggested had greater disadvantages.

The appropriation authorized in the Jones bill doubles the usual annual sums. The kinds of public works are to be the usual ones—roads, public buildings, river and harbor work, and flood control. When general construction falls 10 per cent Federal construction is to double. No one has to take the responsibility of saying that times are bad and thus bring maledictions upon himself for being the bearer of bad news. The signal is nearly automatic. No interpreter of business conditions is required. By a preagreed signal the prosperity reserve is to be released to sustain or restore prosperity.

The idea behind prosperity reserves is old and respectable. The pyramids are said to have been built by the unemployed. Before the French Revolution the great Finance Minister Turgot tried to breast the rising tide of desperate unemployment and starvation by a public-works program. Frederick the Great of Prussia had the canny habit of keeping his soldiers profitably and safely busy between wars by setting them to drain the worthless swamp lands now so productive. The distinguished engineer, Rawlinson, inspired the British Government to provide employment for the operatives of the cotton manu-

facturing cities whose populations were thrown out of work by the blockade of our southern ports during the Civil War. In post-World War England a half-hearted effort was made to expand public works. Germany during the darkest days of discouragement and inflation executed an intelligent and extensive program. More of Frederick the Great's swamp lands were transformed into good farms. Electric-power plants, canals, and roads were built. Work was expanded in direct relation to the amount of registered unemployment. France, in 1910, theoretically accepted long-range planning of railway equipment, but the war intervened and the plan apparently was forgotten. In this country the first move was made by Senator William S. Kenyon, of Iowa, who sponsored the forerunners of the present bills in 1919 and 1921.

Most of these European samples differed fundamentally from the bills now before Congress. They were makeshift attempts to install brakes when the automobile was plunging down hill. They sought to relieve needy, unemployed individuals rather than to stabilize general employment. They sought to make work. They employed the idle whether fitted for the job or not instead of setting in motion a purchasing power which would stimulate a general demand for many products.

The United States 1929 models have 4-wheel brakes in place while the car is still on the upgrade. And the fuel reserve is in the reserve tank. They are not concerned with relieving idle textile workers by giving them road jobs at less than standard wages (as an early British example). They propose to employ construction workers on construction jobs at usual wages. They will purchase materials such as steel, glass, cement, bricks, and the products of 23 other industries, as made by the usual workers in those industries. They propose no relief scheme, but an economic measure. They embody a principle recognized only in our generation, that "the purchasing power of the average man is the spring of prosperity." The 5 and 10 cent man is the giant of economics. He dominates the demand for many industries, each dependent upon another.

The interdependence of apparently unrelated industries is close. When the workers in industry Number 1 are thrown out of work they purchase less goods of industries Number 2, Number 3, and Number 4, whose workers are then thrown out and purchase less of the products of industries Number 5, Number 6, Number 7, and Number 1. Who could guess that the fruit crop determines the demand for manicure sets? A wholesale hardware house made a fortune by finding this out. A hundred traveling salesmen were required to report weekly the condition of the by-product fruit crops in grain territory.

The house had observed that when the grain crop was profitable the farmer bought tools and machinery, but if the fruit crop was good, the proceeds were the wife's perquisite. She bought manicure sets and kitchen utensils, and this house was ready with the goods in the neighborhood store. Industries lean on one another like the walls in a house of cards—to hold one another up or to push one another prostrate.

Fortunately, what looks like a total prostration of industry is far from it. The worst depression is only a 15 to 20 per cent fall in production. Therefore, a relatively small amount of new orders, such as a public-works program can reasonably offer, will do much to sustain the structure, for new orders multiply themselves with surprising rapidity. The American dollar in circulation is a speed devil. It may jump quickly out of your pocket, but the next fellow is also competing for the record. The dollar, like Paddy's flea, is never where it was. Look for the public-works dollar where it was—in public works—and it is not there, having jumped into a corner of the storekeeper's pocket. It jumps so fast that you can not trace it, but, like the flea, it leaves its mark. The steel worker feels it and the ice-cream man, an excellent thermometer of prosperity. The teddy-bear maker and the garment worker feel it. It wakes the alarm-clock maker and speeds up the scooter specialist. It creates jobs as apparently unrelated to public works as Spitzbergen is to Africa.

A few hundred millions of new public works credit is like the flow of water in an irrigating ditch. It spreads above ground and underground. Only the result is seen, the magic touch into life. The trouble has been to start the flow of credit when needed. Credit has been frozen like ice in the mountains when the fields below were parched. Sometimes credit has thawed. The President's conference on unemployment in 1921, under Mr. Hoover's leadership, called upon every community to expand public works as part of a national program. The flow of credit was doubled. In 1921 the cities sold twice as many bonds as in any previous year, and kept it up in 1922. Conditions were favorable because the World War had dammed back public works as nonessentials.

The cities had conserved their borrowing power. The period of the great tide of public works was the period of business revival. Public works were not the sole cause but started other activity. Courage and confidence revived.

A change in public psychology brings a change in conduct. Henry S. Denison, president of the Dennison Manufacturing Co., put this clearly before the Senate Committee on Commerce: "When the merchant is saying, 'By golly, we can't buy freely,' and is cutting his orders; when the manufacturer finds his inventories piling up and says, 'At this rate we shall be wiped out,' and stops buying; just at this time the announcement of a public-works reserve may encourage new buying all along the line, for new consumer purchasing power is sure to follow. A million dollars started in circulation at such a time is worth probably ten millions. Every man reemployed pays up his bills, let us say, to the grocer, who is a little freer and buys not so closely as before. Every contractor who gets orders and can place them directly with the mill makes it possible for the mill to do and to dare what it could not do with the whole business world as tight as it gets during a depression."

So public work need not employ all the unemployed but only a few in order to lay the foundation for the upward movement. Beginning farther back in the business cycle, if the peak of the boom is kept from soaring, the fall will not be as low as level.

Economics now throws light on the process from a different angle. We were always told to be cheerful to-day if we would be cheerful to-morrow. Now, we hear that "We can be prosperous to-day only by preparing to be prosperous to-morrow." Increase credit when purchasing power is low and use the credit to build works that will not produce more consumers' goods, for the markets are then already glutted with goods the consumer can not buy. Don't build more factories to make more. Pay out wages that can be spent only for goods that have been or will be produced by the old facilities. Public works, for instance, create nothing immediately saleable to the wage earner. A road, a public building, are not consumers' goods. So the trick is to keep the supply of credit large enough to enable the buyer to take away all the consumers' goods produced. Especially is this necessary when prosperity is slipping. Thus preparation for the future is the foundation of the present. The prosperity reserve, however, does not depend upon all the implications of this credit theory, but gains additional support from it.

Meanwhile, how big a fellow is this public-works chap? Are we sending a boy to do a man's work? The income of the United States as a going concern is about \$90,000,000,000. A 10 per cent industrial depression would be a drop in our national overturn of nine billions. All construction is about seven billions. Public works is about one-quarter to one-third of all construction. If public works were doubled in a year of depression the increase would therefore fill one-fifth to one-fourth of the hole made by a 10 per cent industrial depression. So even according to a purely mechanical theory of the business cycle, now out of date, public works are an important factor. Such a ratio of increase is possible, for it was achieved in 1921 under the leadership of the President's conference on unemployment, when sales of municipal bonds for public works doubled.

Would a prosperity reserve diminish a so-called technological unemployment—the displacement of workers by labor-saving machinery and more efficient management? This is supposed to be the primary cause for the drop of 600,000 persons from factory pay rolls since 1920. Agriculture is getting along with 650,000 less persons, and mining with 100,000 less. On the other hand, during the same period there have been large increases in the numbers employed in transportation and communication (902,000), domestic and personal service (761,000), distribution (691,000). The prosperity reserve would not arrest technological unemployment or the shift to new occupations, but might tide people over temporarily while seeking adjustment. For instance, in a year of rapidly decreasing factory employment for technological reasons the release of the reserve would increase employment directly in cement, steel, transportation, retail distribution, etc., and indirectly by the amount of its general purchasing power exerted upon all commodities and services. It would be a temporary refuge in the middle of the street until the traffic signal shows green for general employment. A displaced factory worker might get one of the jobs created by the reserve, for instance, as truck driver, while he makes his adjustment to, let us say, radio aerial fixer.

The prosperity reserve principal has for years been supported by such bodies as the Philadelphia and Seattle Chambers of Commerce, by resolutions of the

American Federation of Labor, by party platforms, and by its active proponents, the American Engineering Council, the Associated General Contractors of America, the American Association for Labor Legislation. Since the conference of unemployment of 1921 Secretary of Commerce Hoover has never failed to lend a helping hand. At his request Governor Brewster, of Maine, urged upon the conference of governors in Louisiana the formation of a construction reserve by each State.

Without the States and cities the Federal Government is powerless to stabilize, for their combined volume of public works is ten times as great as that of the Federal Government. Lacking a definite policy or control, they can overbalance any sound position the Federal Government may take. The States, for instance, control the timing of the national road-building program. Although the Federal Government gives them aid of about dollar for dollar on major highways, each State decides whether it will take its share in equal amounts each year, or more some years than others.

For the cities the long term city plan is an anchor to windward. It holds well-laid plans which can be quickly used when a depression arrives—plans that will avoid choosing a makeshift and wasteful project. A depression may be used as a good lever to push over basic improvements long delayed and badly needed.

Cash reserves by cities and States are not desirable. Credit reserves are better because they release credits in bad times when they are a tonic to trade. If on the contrary large municipal bond sales are made in boom times, instead of a tonic they are a heavy pastry piled in on top of an already glutinous gorge of private credit, and may be the final precipitant of economic illness. What commonly happens is that a city exhausts its borrowing power during boom times and has little credit reserve when bad times come.

Secretary of Commerce Hoover in 1923 undertook to avert a building boom and the depression inevitably to follow. He sent a public letter to President Harding suggesting in view of the great activity in private construction that as little public work as possible be undertaken. Federal public work was already at an agreed minimum. Its apparent intention was to warn the building industry and prospective builders that the pot was already seething to overflowing. The effect of the letter was the postponement of large amounts of private construction. The halt in the rise in volume of municipal bond sales for public work which occurred at the same time was probably not due to this warning, for municipal authorities generally are not yet aware of their responsibilities as part of the Nation's economic defense reserve. However, in this instance private construction alone was able to accomplish much. Private building operators who postponed work until 1924, a year of business recession, first avoided adding to the high peak of 1923 and then filled in the depression of 1924, thus stabilizing at both ends the building industry, its 27 tributary industries and the general economic situation.

This is a happy example of the principle embodied in the Jones bill, of exciting far wider consequences that can be detected in the text of any law. The prosperity reserve had become general prosperity insurance. The public was unaware that trouble had been averted. Why then have any legislation if the act of a public official may have such results? Because it is unsafe to depend upon the whim or the economic education of successive Federal officials. Also Congress has, and ought to have, a say in any appropriation policy and the whole subject should be aired and fought out there. Federal legislation should give in advance a national signal that all can move synchronically. As a traffic signal, a go-ahead order, the Jones bill is a big step forward.

With such an example as the doubling of public works bonds sales in 1921 why has not greater progress been made? Why is it that after 10 years of effort, when 1927 unemployment was almost half as great as in 1921, no special effort can be reported by New York, Chicago, Philadelphia, Detroit, Boston, San Francisco? How is it that Wisconsin, though willing, found itself without quickly available funds? Why is it that California, with an emergency public works commission, made no use of it? Prof. F. G. Dickinson, of the University of Illinois, reports these facts and that in general in the first half of 1928, in spite of many attempts to persuade public officials, there was no appreciable result. New York State responded to the request of Governor Smith and increased its hard-road contracts from \$19,000,000 in the first half of 1927 to \$26,300,000 in the corresponding period of 1928. Contracts of public buildings in New York State, not so subject to quick changes,

fell off from 11¼ millions to 8 millions. The result was that even in New York State, where an energetic and convinced attempt was suddenly made, the net increase was only 8 per cent, or less than the average 10 per cent increase of the whole country for the same period, which can not be attributed to this policy.

The year 1928 was not a year of depression, yet the experience of New York State is proof that a public-works program can not be suddenly improvised except under exceptional conditions. A fire department must be formed before the fire breaks out. A prosperity reserve must be created in advance, as the Jones and Wagner bills provide. The experience of Philadelphia is a case in point. An influential chamber of commerce committee wanted public work advanced early in 1928. A large bond issue was to be voted on by the people in 60 days, yet all efforts failed to find a short cut to begin work before the vote. In years of employment councilmanic leaders had occasionally found legal ways of doing this, but unemployment was not a strong enough motive to overcome the inertia inherent in government.

This reveals the weakest point of the prosperity reserve. It will not get votes. City officials are not dependent upon long-term results for holding their jobs as business executives are. A prosperity reserve may make more secure the jobs of citizens but not of the official, whose successor may reap the political advantage. Spending public money is good politics at one time; economy is better at others. These times may not coincide with the need to stabilize employment. Consequently we can not expect all public officials to dive into the prosperity reserve like boys into the old swimming hole. They will have to be pushed gradually into it by the pressure of business and banking opinion. Bankers, by nature and habit, take a long view of affairs. A sound banker plans in order that his bank and his companies may not lose next year what they made this year. Stability is his middle name. The technique of working out the prosperity reserve is a challenge to good banking brains.

Federal leadership is needed. Hundreds of isolated banks used to be helpless in panics before the Federal Reserve Board was created. Every panic was a proof that a central reserve was needed, yet it required a dozen panics and several generations to achieve this essential reform. The prosperity reserve is no different, only simpler. Perhaps it has too many polite friends. If opponents would call its advocates horse thieves and Bolsheviks it might speed up action.

The goal is worth while. Leadership and devoted followers are needed. Mississippi floods and epidemics have not brought more misery and destruction in their wake than have periods of unemployment. The dark specter of joblessness stalks before a million homes. The fear of it is imbedded in the subconscious mind, and this fear explains conduct otherwise inexplicable. Every depression is a strain on our institution and our system. American business should never again wait for the referee's count of nine before struggling to its feet. The time of prosperity is the time for preparation.

(Thereupon, at 11 o'clock a. m., the committee adjourned subject to the call of the chairman.)

## UNEMPLOYMENT IN THE UNITED STATES

THURSDAY, FEBRUARY 7, 1929

UNITED STATES SENATE,  
COMMITTEE ON EDUCATION AND LABOR,  
*Washington, D. C.*

The subcommittee met, pursuant to the call of the chairman, in room 335, Senate Office Building, at 10.30 o'clock a. m., Senator James Couzens, presiding.

Present: Senator Couzens (chairman).

STATEMENT OF MORRIS E. LEEDS, OF LEEDS & NORTHRUP CO.,  
PHILADELPHIA, PA.

The CHAIRMAN. Mr. Leeds, will you please state your business and your place of residence.

Mr. LEEDS. The business is Leeds & Northrup Co., Philadelphia.

The CHAIRMAN. Tell us what the business of your corporation is?

Mr. LEEDS. The manufacture of electrical measuring apparatus, and temperature-measuring instruments, and its field in the use of those instruments is chiefly in the precise measurements in industry, where industry wants to get an exact control of its temperatures, and for electrical quantities, and so forth; somewhat also in the line of chemistry, and somewhat also in the control of combustion. Also, we make some furnaces for heat treatment of steel.

The CHAIRMAN. You understand the purpose of this meeting?

Mr. LEEDS. Yes. I have gone over your bill, and I have read your letters and inquiries.

The CHAIRMAN. Tell us in your own way your experience and what you might suggest as to aid in the stabilization of employment.

Mr. LEEDS. To get back to the matter of experience, I was convinced a good many years ago of the element of unfairness and social wrong that modern industry had gotten into of freely hiring people and with equal freedom firing them. I do not need to go into all that. I presume that is the sort of thing that has brought this subject to the attention of your committee. I have read with interest the writings of Roundtree and of Abbe, a man who became a prominent industrialist, who himself rose from the ranks of labor, and saw Germany evolve through the whole stage from hand-to-hand crafts up to the modern organization of industry, and so in his own industry he said that he thought that all of the advantages it had were more than offset by its disadvantages, unless they could be controlled. One of the conspicuous disadvantages was the upset that is made in family plans and the deterioration of moral fiber, and so forth. The absolutely arbitrary and careless way in which industry would sud-

denly say to a group of people who had been brought to a locality and established their homes, "I don't want you any more," seems a great wrong. In 1921 we felt that we had to lay off some people, and I took an opportunity at that time to talk with a good many of them about what it meant to them, and I found out just how it did interfere with plans for educating children, establishing homes, and even in the somewhat lower ranks more serious influences than those, near to subsistence, and I then decided that as soon as we were in a position to do so we would make some provision against having to go through that experience again.

The CHAIRMAN. May I interrupt you there? You said, "When you were in a position to do so." What kind of a position do you mean?

Mr. LEEDS. Financial.

The CHAIRMAN. Then you recognize that perhaps there are some industries that are not substantially able to do anything in this connection.

Mr. LEEDS. I should not suppose there is any doubt about that—that is, under certain circumstances they would not be able to do anything about it. If we had had enough experience and had thought about the matter enough before, perhaps we could have made provisions for it at that time, but at that particular time we were in the same position as some other people, carrying bigger inventories than we should, and borrowing more money than we would like to, and not knowing when the turn was coming. As a matter of fact, it came sooner than we expected, and we did not really need to have laid off the people we did. But we could not tell that.

The CHAIRMAN. The reason I asked that question is because some of the testimony and some of the correspondence we have had with industrial leaders indicates that it is not only money that is necessary to solve this problem but perhaps more frequently it is a matter of judgment and brains in the management of the industries, and the arousing of the conscience of the employer to do something to regulate the output throughout the year so as to stabilize employment. I did not mean to infer that money alone was the solution of the problem. Sometimes those who are forced by economic conditions to use judgment and talent do it best without money.

Mr. LEEDS. Yes. We had not squarely faced these problems before that for ourselves, and when we did come to it money was the primary consideration with us, just at that time. What we did about that time was to study our history, as near as we could get at it from our records of unemployment, and we found that it was exceedingly difficult to interpret it accurately. We could tell how many people we had and it would show rises and falls in employment, but after a few years had gone by it was possible to see why those things had happened; nobody could remember in some cases and we knew they were not due to lack of work, but we made the best case we could out of that history as to the amount of money that we would need to set aside in order to give a separation wage that would fairly tide people over in case we had to lay them off, and we concluded that if we accumulated a fund that was equal to twice the largest pay roll of the previous 12 months, we would then be enabled to meet any situation that was likely to occur in our particular business. That is rather larger than it looks, because when we say the largest pay roll

we mean the whole pay roll, officers' salaries and everything else, and we have only made the unemployment fund apply to those who get \$2,600 a year or less, so that it is more than twice the pay roll that applies to that particular group of people. We decided to set that fund aside at the rate of 2 per cent of every pay roll until it had come up to that amount, and that we have done since. Business has been expanding, and the amount required has increased from time to time. On a number of occasions it has been necessary to put up a further amount to give us further increases, but I think it is now fully paid up, and is about \$55,000, our business not being a large one.

The CHAIRMAN. Did you add that to the cost of production?

Mr. LEEDS. Yes. We have set that fund aside in a trust company, not to be at the hazards of the business, nor is it recapturable under any circumstances by the business. The trust is so worded that in case we should go out of business, or in case State provision or anything of that kind should come in and make the fund unnecessary it would then have to be used by the trustees for some similar purpose. It can never go back to our business, and under those circumstances we bookkeep it as to cost of production.

The CHAIRMAN. That, of course, is deducted as business expense from the income tax?

Mr. LEEDS. It has been deducted regularly and has been passed by the tax collector.

The CHAIRMAN. I remember in the Finance Committee that we had some of these trusts to deal with in passing the law. Did you find that this practice that you adopted made the men more efficient, that it was a good business proposition in addition to being a humanitarian move?

Mr. LEEDS. We believe it is. We have a series of provisions that are intended to work that way. We have a representative council of employees which passes on a great many things, and with which we cooperate in a thorough going way. We have vacations with pay to a considerable extent, and also old-age pensions; but it would be very difficult to disentangle anyone of those features from any other and say what the effect is; but we do enjoy a very satisfactory relationship with our employees and have an organization that in a very whole-hearted way rises to whatever emergency we put up to them.

The CHAIRMAN. How many employees have you?

Mr. LEEDS. Eight hundred.

The CHAIRMAN. Do you think a plan such as that could be worked out in large industries, where there are 25,000 to 100,000 employees?

Mr. LEEDS. I don't see why the size of the industry would have anything to do with it. It would have the same percentage relation to their costs, and from what one sees of the profit reports of these large industries it seems to me that it would not be a serious burden upon many of them.

The CHAIRMAN. What I have in mind is the lack of contact that exists between the management of large industries and their employees. That, I think, is the main factor in creating some discontent in industry, because the top is so far removed from the bottom that they do not get into immediate contact as they do in smaller enterprises. I conclude that from the many years' experience I had

when the industry with which I was associated was smaller. We then had opportunity to observe the human effect more so than we did when the industry got so large that we could not see all the way down the line.

Mr. LEEDS. Don't you think that was due to your rapid growth, the great rapidity with which you had to change from a small to a large industry; that if it had gone on slowly that the means by which those things could be accomplished could have been added? I was thinking of the 6,000 employees of the Carl Zeiss Warehouse in Germany. They grew rapidly, not like your company, but they preserved the instrumentalities through which those contracts were made and the social ideal was preserved.

The CHAIRMAN. I think that is correct; but what I had in mind was the attempt now to put into execution some of these very desirable plans for the creation of contentment among workers. For example, take the Steel Corporation. To now arouse their interest sufficiently to do the things that you are doing would perhaps be more difficult than in the case of a smaller enterprise, where the management was much closer to its workers.

Mr. LEEDS. Oh, it would unquestionably be more difficult.

The CHAIRMAN. That is the point that I was making.

Mr. LEEDS. Take the economic provision to take care of unemployment. I can not see that that is a question of size. It is a question of profits that the company makes, and whether it is in a position to set aside something for that purpose, and also how great a hazard it is for the company, whether it is one in which employment is fluctuating largely, whether it is fairly stable, and in the latter case the hazard is much smaller.

The CHAIRMAN. I was thinking of ways and means of arousing their interest in doing the things necessary to do, of arousing the interest of the management of these big institutions. It is more difficult to arouse their interest because they are so far removed from actual conditions that exist. However, I will be glad to have you proceed. I did not mean to interrupt you except that I wanted to get the psychology of what inspired captains of industry and employers to do the things that obviously ought to be done.

Mr. LEEDS. You asked in your letter about our history. It is hardly yet significant. We established the fund in 1923, started it then, and have had a continual period of stable growth, and no period of decline since that time, with the result that we have had no occasion to lay anyone off for lack of work. We have laid off a few people by reason of readjustments, and a few by reason of the fact that we did not consider them satisfactory work people, but that amounted to only five, and the amount that we have paid out of this fund has been only \$500, so that it is not significant as yet. We have to go through a bump of unemployment before it will become significant.

The CHAIRMAN. When this period, this bump of unemployment you speak of, comes about, you will use this \$55,000 fund for the purpose of distributing it among those who are laid off, and in what amounts will you do that?

Mr. LEEDS. The rules under which that fund is to be distributed were made up by a joint committee of our work people and the man-

agement, in which the working people had a majority, and in which as a matter of fact we simply accepted what they proposed, which was that married people, men with the responsibility of a family, should receive 75 per cent of their wages for periods which depended on the length of time they had been with us, and unmarried people 50 per cent of their wages for periods which depend also upon the length of time that they had been with us. I can give you the range of those.

The CHAIRMAN. May I ask at this point just why you regulate that on the basis of the time they had been with you? Aren't their economic needs the same whether they have been with you a long or a short time?

Mr. LEEDS. Yes; their economic needs are the same. It was due I think to a feeling that our responsibility was not the same. That may not be justified, but we felt that we had a greater responsibility for instance to a man who had been there a long time than to a man who was there only a short time. The man who had been with us for only three months would not have done very much to get settled in his way of doing things, and if we gave him three weeks compensation, which is the amount that goes with three months, three-quarters of what he has been getting, assuming that he had a family, that that would fairly represent our obligation to help him relocate himself, and that that obligation would be increased with the length of service that he had with us, and does go up to 26 weeks of compensation for those who have been with us for five years or more.

The CHAIRMAN. That is, that you are responsible for those 26 weeks they are off?

Mr. LEEDS. I should say that the assumption that lies behind that is that when we employ a man, it is with the expectation that we are going to have a permanent relation, that this is his permanent industrial home if he wants it to be. By reason of our failure to carry out that implied contract, we compensate him for our failure, and that the amount of compensation that we owe him for that failure increases with the length of time that he has been with us, which increases the expectancy on his part that it is a permanent industrial home for him.

The CHAIRMAN. If a man has been with you for three months and you lay him off for lack of work, assuming that he is to remain off for three months, you pay him for only three weeks. Is that the idea?

Mr. LEEDS. We will only pay him for three weeks, assuming that he does not get some other job within the three weeks, in which case our payment ceases, and what happens to him after that is out of the picture.

The CHAIRMAN. Proceed.

Mr. LEEDS. These schedules are not payments that are paid under any circumstances, but only in case the person does not find other work. The whole idea is to take care of him during the time when he does not find other work. When he finds other stable work the obligation ceases. Of course, that introduces the problem of who is going to decide whether he has got other work, but we put that into the hands of our employees. This is their fund to compensate them,

and the compensation will not last any longer than the fund does. That is, we have assumed no obligation beyond the fund and we believe that they would be the best people to keep back of the man to see that he does not draw on the fund and work both, under a regular system of reporting.

The CHAIRMAN. Does this plan, which I have not had an opportunity of reading, carry with it any compensation during illness?

Mr. LEEDS. We have that separately. This is an unemployment fund and it is not tied up with other things. The sick relief is separately taken care of, and the old-age pension and death benefits are taken care of by a separate fund and in a separate way.

The CHAIRMAN. And they have nothing to do with this \$55,000 fund?

Mr. LEEDS. No. You asked whether it had any influence on stabilizing our employment. Aside from the fact that we have definitely tried to accumulate some money reserves with which to keep on and build up or do other things in case we should have a time of slack orders, we have not faced that situation. It has created in our management a state of mind that, having accumulated that fund, we do not intend to spend it if we can possibly help it. We intend to do the other thing and keep them regularly employed.

The CHAIRMAN. What you mean to imply is that you have had no real test?

Mr. LEEDS. No; we have had no real test.

The CHAIRMAN. So in case of a great depression in business, you don't know what your experience might be?

Mr. LEEDS. No; but I think it is fairly obvious that any management which had set aside a fund for that purpose and faces the fact that if they spend it they would have to set aside that amount again, would try to conduct their enterprise in such a way so as not to spend it, even if it is only a matter of pride.

The CHAIRMAN. That is the trend of the testimony that we have had up to date, that if there was a penalty for bad management, or for laying off of people through perhaps bad or careless management, that they are more apt to regulate their business well. That is your experience, or at least that is your attitude of mind?

Mr. LEEDS. Yes; that is our attitude of mind, but not our experience as yet.

The CHAIRMAN. Have you ever contemplated that employees should contribute anything toward this fund?

Mr. LEEDS. No. It has always seemed to me that this is a reasonable responsibility of industry, and that it should be passed on to society as a whole, if necessary, in the extra cost of the product.

The CHAIRMAN. In your old-age pension, or in your sick benefit, do you require contribution from the employees?

Mr. LEEDS. In the old-age pension we have a combination of the two. That is, we do a certain amount regardless of whether they come along or not. If they go along, we double the amount, so that it practically means that they get out of it about three times as much as they contribute, as our original contribution.

The CHAIRMAN. What do you do in case of illness?

Mr. LEEDS. Illness has been entirely taken care of in our organization by a voluntary organization of the employees, and we have

kept watch of it. They meet the situation entirely adequately. They have regular contributions. They keep enough money in their fund to meet emergencies, and now and then even to use it as a loan fund to people needing money to help over emergencies.

The CHAIRMAN. The company does not contribute?

Mr. LEEDS. No; it never has. The only time that the company did was in the flu epidemic some years ago, when they were faced with extraordinary demands, and when we would have been glad to make an outright contribution, but all they asked us to do was to loan them some money, and they managed their affairs so well that they paid back the loan in nine months, so you see that they have a considerable capability of taking care of themselves.

The CHAIRMAN. Have you had any experience with industry through the laying off of employees through improved machinery or equipment?

Mr. LEEDS. It has not come in our case. A few of these five cases have been that sort of thing, but for the most part when we have done anything of that kind, we have been able to take care of the people elsewhere in our plant.

The CHAIRMAN. Have you anything else that you can volunteer?

Mr. LEEDS. Yes; there is another phase of the question that I would like to bring before you, and that is from another angle. The industrial relations committee of the Chamber of Commerce of Philadelphia has been devoting itself this winter to this subject of unemployment, and there has been a lot of meetings about what might possibly be done by stimulating industry, this, that, and the other way, but we have not gotten very far. Unemployment is with us just the same as it has been, and I am the chairman of the subcommittee to report a plan by which we can determine how much unemployment we have and what it is due to, and we are absolutely up against it. We have met and talked with people, and so forth, but we can not think of any way of finding out about that. What I would like to say to your committee perhaps more emphatically than anything else is that if you can help us to measure unemployment, how much there is of it, and what it is due to, it will give us a great deal of help. We don't know how to find out how much unemployment there is in Philadelphia.

We have tried organizations, and in the metal industries, and in certain textiles we can pretty easily say that in 1927 there were so many people employed, and that in 1928 there were so many people employed and then we can measure the difference if there were less in 1928 than in 1927, but everybody knows that that does not tell you how many are unemployed, and it is subject to serious errors. In the first place, there is the error that you are always likely to make when you count 100,000 and then count 98,000 and say that there are 2,000 less. If you make a slight error in either the 100,000 or the 98,000 you make a big error in the difference, and on top of that it is subject to the much greater error that you don't know that those 2,000 people are unemployed simply because they don't happen to be employed in that particular industry at that time. And working as our friends of the Wharton School of the University of Pennsylvania, with their expert advice, and people that we have been able so far to call in, we were absolutely at a loss to report back to our committee what we consider might under the present circum-

stances be a good method of finding out how many people are unemployed and of continually keeping that record.

The CHAIRMAN. May I say, not to make a point of discrediting the value of statistics, it seems to me there has always been an over-emphasis upon the question of statistics as applied to unemployment. Just what would the difference be in Philadelphia if you had more statistics and you found that in one case you had 5,000 unemployed and a few months later 8,000 unemployed? Tell us what you would do about that.

Mr. LEEDS. I think that would come out of it, and I think the importance of the statistics in that case is that we are now all the time being told that it is not as bad as we think it is, and that this, that, and the other big industry is going to build a lot of buildings or do something else, and, therefore, that the situation can not be really very bad. I think that if it could be pointed out to the industrialists who can be drawn into such a conference where it is so and so actually, and with that is this fraction of their total labor bill, and that associated with that small fraction of their total labor bill they are bringing in an enormous amount of hardship to that particular group of people, together with great discontent, and a fertile seed bed for radical thought, that you would have a much better way of influencing them to do something about it, whatever that may be, more than you will when you just talk about it in vague, general terms.

The CHAIRMAN. So that it is largely the psychological that we would get out of these statistics?

Mr. LEEDS. Yes. I think it would be the first step to doing something.

The CHAIRMAN. Have you anything else to suggest?

Mr. LEEDS. I think not, thank you.

#### STATEMENT OF DR. JOHN R. COMMONS

The CHAIRMAN. Doctor Commons, are you still connected with the University of Wisconsin?

Doctor COMMONS. Yes; I have been there for 25 years.

The CHAIRMAN. Doctor, we will be glad to have you tell us in your own way what we are trying to arrive at. You have seen a copy of the resolution, and the purpose of the committee's investigation.

Doctor COMMONS. Mr. Chairman, I have brought with me, but did not bring down to the Capitol to-day, some exhibits, but I can sketch to you the outline of how it came about that in Wisconsin the legislature considered during three successive sessions what we called, after the name of the introducer of the bill, the Huber unemployment prevention bill. I was associated with the drafting of that bill. At one time we had a majority in the Senate, but amendments were tacked on which made it distasteful and so it failed. Then in the Chicago men's clothing market there was adopted in 1923 a system of unemployment insurance, practically identical with this proposed in the Huber unemployment prevention bill. I was chairman of that organization, covering about 30,000 employees, and the entire men's clothing industry. During the installation period from 1923 to 1925, I was the chairman of that organization.

The two systems, one by a legislation represented in the Huber bill and one by joint agreement between the manufacturers of men's clothing and their organized employees, worked out substantially on the same principle, and they are entirely different from any European or foreign system of unemployment insurance. I find that that is a very difficult thing to explain. People who have criticized unemployment insurance and even criticized our measures in Wisconsin and Chicago seem to have in mind solely the European system, which I would call paternalistic and socialistic. Ours is a purely individualistic system, and in order to explain that difference I think, if you will allow me, I shall sketch here the way in which this unemployment idea started in Europe and the way in which it came to this country and indicate something of what appeals to me to be the philosophy back of it, the theory.

It started about 1895 in one of the Swiss cantons, St. Gall, and that canton imposed a premium to be paid—it amounted to a poll tax—by all of the wage earners of the canton, which was to go into a fund to be administered by what we would call the State—it was no larger than a county—and then to be distributed to the unemployed under certain rules laid down. This was the first attempt. The consequence of it was, on account of this poll tax, that the class of labor which they wanted to keep in the canton began to migrate to other places. It was a tax on being in that canton. Furthermore, they could not collect from the wage earners.

The expense of collecting a poll tax from the wage earner, a monthly poll tax—I can not give any exact figures—was something greater than the amount that they would get out of it, so that the canton in enforcing it found that it was getting nowhere, and it was repealed at the end of a couple of years. By driving labor from the canton and by the enormous expense comparative to the benefit to be obtained it was found necessary to repeal it. The next step was in Belgium, in the city of Ghent, about 30 or 35 years ago. There was developed there what was known as the Ghent system, and it spread from the city of Ghent to the several States of Belgium and Denmark and Holland and to a certain extent there has been adopted in the other Scandinavian countries, Norway and Sweden, and it is of this character. Take the city of Ghent, and what I say here will apply later to Denmark and the other States. The town council of Ghent proposed or offered to any association of wage earners to duplicate any amount they might set up voluntarily as an unemployment insurance fund, simply subsidized them, giving it to them from the city treasury; and now it is the combination of the city and the Province and the State governments in those countries. They gave to them a subsidy to be administered by themselves equal to what they may voluntarily contribute. It turned out in the administration of that fund in Ghent and as they spread out over into Denmark and the other countries that the only associations which could take advantage of that offer were trade-unions, organized labor, and organized labor is a large proportion of the labor in those countries, much larger than it is in this country; but mutual associations for insurance purposes, other than those built upon existing labor unions, were unable to organize for the purpose.

The CHAIRMAN. Why?

Doctor COMMONS. There was nobody to take the lead in forming an insurance association, and they are miscellaneous, unorganized, and you would have to hunt all over the town to find them. The unions came in and seized upon the opportunity, and that is what they have done in Denmark and the other places. They practically preempted the field. I am not positive whether or not there were any mutuals, other than trade-unions that accepted these provisions. I am quite certain that there were not others. At any rate, this is what happened, and this is the difficulty I want to get at. What this amounted to, then, was the city or the State subsidizing the trade-unions, in case of unemployment, and leaving the administration solely to the unions to distribute the benefits, and it was not very long before the employers began to see that it was being used for industrial conflict purposes, enabling them to stay off work, not striking; but the unions having another system of not going out together on a strike, but having a sort of individual vacation. Each person would take a vacation, and the union might furnish him unemployment benefits. So we have now the State and the unions cooperating and the employers and the manufacturers are raising a protest.

The amendments to those laws in those States I could go into more detail about if I had the statutes before me. I have them in my room at the hotel; but the substance of it is this, that the manufacturers demanded and ultimately obtained this provision; that the State should set up itself an administrative office, which should determine and pass upon the benefits awarded to any particular individual, after seeing whether that individual was within the definition of involuntary unemployment, due to lack of work and not owing to any other cause, discharge or inefficiency or anything of that kind, to which they endeavored to limit it. These States, therefore, modified their laws, but have not repealed them. They have grown by increasing the State's responsibility for administration, but the employers do not contribute.

England made the next advance.

The CHAIRMAN. You say that the employers do not contribute. You mean that they do not contribute directly, except through taxes?

Doctor COMMONS. Yes. Those subject to the taxing powers we call the consumers. The industries as such do not contribute. In England, as I say, the next step was made, which included the employers, the State and the employees, paying the premium equally, one-third by the employees, one-third by the employers, the State paying part of the benefits, but carrying the expense of administration, so that in counting the expense of the administration with the supplementary benefits which the Government affords, the State would be paying one-third.

The employers pay one-third and the State one-third and the employees one-third, and then they have certain rules for deciding the class. I shall speak of those rules later. Those systems I call insurance systems. They are insurance in this sense: That the premiums collected on the labor or on the State are based upon the number of weeks that they are employed. Suppose we had two manufacturers, one who works full time and who furnishes 52 weeks of employment, and a competitor of his who furnishes, say, 26 weeks, to take a clear-cut case. The employer who has 52 weeks pays 52 premiums, and the employee pays 52 premiums, and the State. The

one who has 26 weeks, pays 26 premiums, and the State pays 26, and the employees pay 26 premiums, and this all goes into a common State fund. When the benefits are paid out, the employees of this employer, who has 52 weeks, get no benefit, because that employer has stabilized his work. The funds, however, which he pays in are transferred automatically by the fund system, which you call the insurance principle, as against the other principle, and are paid over and given to 13 weeks of benefit to the employees of his competitor during such period as he has not been able to furnish them steady employment. What it means then is what we call the socialistic or paternalistic system, taxing those who are successful in providing stable employment and making money by doing it, and turning their money over for the benefit of other employers and their employees who are less successful, interpreting "success" as the ability to work continuously and to make a profit continuously.

What is the theory back of that? The theory back of it all is the relief theory. It is a development of the philanthropic idea, and also a development of the application of the idea that the causes of unemployment are inscrutable, that they proceed like the forces of nature. Economists have their theories of what causes the ups and downs of business. They have even attributed it to the sun spots, and the transits of Venus, and to rainfall, and what we may say are acts of God.

That is the European theory, that here is something that industry can not control, that is a natural phenomena, and so we have to employ the taxing power, taxing people according to their ability and success to pay, to pay a relief to the unfortunate and to help out the inefficient.

The CHAIRMAN. Have you any views about that?

Doctor COMMONS. I am going to tell practically what I prefer to call the American system, the individualistic system.

The CHAIRMAN. And in that manner you will be able to express your views?

Doctor COMMONS. Yes. The Huber bill and, likewise, the system in the Chicago clothing market, are based on an entirely different view, and that is that there shall be no fund, no joint or mutual fund, under administration of any State or organization, held by the State and distributed as in England, or any fund which should be distributed in the way of the European method, but rather, that the employers should set up what in the Chicago market we call establishment funds as distinct from a market fund.

Here comes in a very interesting difference between the psychology of employers and employees on this subject, and one that must be taken into account in developing any system of unemployment prevention. The working people, the trade-unions, the working people generally, are burdened with the idea of unemployment. They don't care where the money comes from. They want a fund that will relieve them and their suffering, and they do not want to depend upon the success of an employer in building up these funds. They want to have some provision for benefits, so their idea of an insurance fund is the European idea, and which we call in Chicago the market fund principle. While the matter was under discussion in Chicago, trying to reach an agreement, the two issues were

upon that basis. The Amalgamated Workers' Union stood for the market fund.

The CHAIRMAN. I don't get the point of what that means.

Doctor COMMONS. The employers insisted on an establishment fund.

The CHAIRMAN. That is, confined to their particular factory?

Doctor COMMONS. Yes. Take Hart, Schafner & Marx, with four or five thousand employees. They would have their own insurance fund, which would benefit only their own employees. Another concern would have a similar fund, and all of the 70 different firms would establish 70 different funds in the Chicago market, and they should be responsible only for their own employees.

The CHAIRMAN. That is what you designate the establishment fund?

Doctor COMMONS. Yes; similar to the Leeds's fund. His is an establishment fund. He does not pay into a market, and then by some system of rules it is paid out to all of the employees. The unions, of course, wanted the market fund, and that is what we call the difference between an insurance plan—it is a market plan under the terminology that we worked out in Chicago—and an establishment unemployment reserve fund. That is the thing that is characteristic of this Huber bill. Each establishment has its own fund. The way in which that idea first came about is simply this: The experience of the workmen's accident compensation in Wisconsin brought it about. When that law was enacted in 1911 it was provided that a right of action was practically created by law against the employer in case of accident, and terms were defined, and so on, and an administrative body was set up to listen to appeals in cases of suits, and so on. It also provided what they called three systems of insurance. One was self-insurance. An establishment which showed that it was financially solvent could set up its own insurance fund and carry on its own insurance. It really was a reserve fund, and we have in Wisconsin about 250 self-insurers, so called. Then another plan, which is permissible under the law, was mutual insurance. Employers might set up mutual insurance companies for the writing of insurance against this accident compensation. Two or three insurance mutuals have been set up, and one has grown so extensively that, according to the last figures I had, it covers about 40 per cent of all of the insurance that is written in the States, apart from self-insurers.

The CHAIRMAN. You are speaking of industrial accident insurance when you speak about the 40 per cent?

Doctor COMMONS. Yes. Then the other provision is that an employer may take out an insurance in an old line company, a stock company. So there are three methods. I was a member of the industrial commission that put that law into effect for two years. I assisted in drafting the law. We stood out against the State fund, but wanted to have the employers have two ways of administering it. We did not like the idea of their insuring in stock companies, because that unloads the burden on somebody else, but we wanted the employers to adopt self-insurance or mutual insurance.

The result of it has been that the greatest progress made in Wisconsin toward a reduction of accident, a prevention of accident, has been made by these self-insurers. These 250 people were the pioneers

in all activities for the reduction of accident. Classed with that is this employers' mutual, which writes 40 per cent. That employers' mutual insurance has a staff of safety experts, who go all over the State, and they put in a campaign of accident prevention. My idea is that they did much better than through the industrial commission.

They took our best men away from us, and made them their own inspectors. That of course is just what the State wants—the employers to do their own safety inspection work. It is the much better way. Our State commission was just a sort of training school, an apprenticeship school, for safety experts, to be taken over by the manufacturers of the State. It is putting it up to the employers themselves to reduce accident compensation by the prevention of accident. If the responsibility comes home directly to each establishment, we can have better results. We have had wonderful cooperation with the employers in reducing accidents.

The CHAIRMAN. And out of all that came your insurance principle?

Doctor COMMONS. Yes. Why could not that same principle be applied to unemployment? Why could not the employer be made responsible for stable employment by creating against the employer the right of action on the part of the employees for compensation for a certain period of time in case he was laid off solely on account of lack of work?

The CHAIRMAN. Do you believe that that could be done under the constitution of any State or of the Nation?

Doctor COMMONS. I have found by studying decisions of the Supreme Court that the Constitution of the United States is quite elastic if you will give it time. The Supreme Court is ordinarily about 15 years behind the times. It has a lag of about 15 years, as I have tested it out; so while I think at first it would be unconstitutional, yet in the course of a few years it would be constitutional. We went through similar developments in the case of accident compensation laws. They were at first unconstitutional, and then they became constitutional.

The CHAIRMAN. So it is not always necessary to have a constitutional amendment to have the thing become constitutional.

Doctor COMMONS. All you need is to have judges who are willing to study the economic situation that you are up against, and the Constitution is sufficiently elastic to take care of any evil in the community which the judges themselves appreciate as an evil. We get the decisions eventually. I have calculated, as I say, a 15-year lag on some things, so I think I have the operations of the judicial mind down statistically.

It is an interesting thing that with all the opposition in the States to this law, the manufacturers and others never brought up that question that you have asked. No manufacturer in Wisconsin ever raised the question of whether this was constitutional.

The CHAIRMAN. I can see a difference between an accident and just simply a question of economic conditions, which will prevent employment.

Doctor COMMONS. Oh, there is a difference, and in the case of accidents we had this other situation. The compensation law came as a substitute for the old employers' liability. There has been in the law no employment liability. Our system has not been built on the liability of the employer to furnish steady employment. There has

been, however, a responsibility to keep his place of employment safe. There is a big difference constitutionally and economically, it is true. This is an advance. There is no doubt about that. The question now is economics, and what motives are you going to appeal to? The European idea or the insurance idea is based on the principle that some circumstances outside of industry, natural causes, produce unemployment. Neither the State can prevent unemployment, nor the employers, nor the unions. This individual responsibility of law is based on a different notion. First, it is based on the notion that the working people should not contribute to the fund simply because they could never stabilize employment if they did contribute. It was purely a mutual insurance idea if the workingmen contributed. The State should not contribute, because the State never could stabilize employment. There is no way in which public officials can stabilize employment. The only people who can possibly stabilize it are the employers themselves, and the question is, then, is that a sound economic analysis, can a system be devised similar to accident compensation by which not merely responsibility, which Mr. Leeds accepts, but also legal responsibility in the form of a right of action can be created. Then the employer could provide in his own way for the meeting of that new responsibility or that legal liability, and the theory then is that the States will do the least possible interfering, and it reduces it down just to one thing, a legal right of action. That is all.

If we could get it down to the point where there would be nothing but a legal right of action against the employer for a loss to a man because he can not furnish him work, then we will have all the State should need to do in the matter; but we found that when that was worked out in the accident compensation law there had to be certain supervisory machinery, and it could not be left to the ordinary courts on account of the great amount of litigation. We had therefore to set up some sort of an appeal board. Then the other important thing, still more important than that, was this: There are just two ways in which employers can stabilize employment. One is by watching their own individual establishment and trying to plan the work, and so on. That is quite familiar nowadays, reducing the turnover and so stabilizing their own plan. The other is, when they find it necessary to lay a man off, to find him a job as soon as possible. The best employment agencies in the United States are not the public employment offices. They are the employers themselves. They are the people who can find jobs for the men that they lay off. Nobody else can do it as effectively as the employers themselves. If we can place those two inducements or motives upon the employer, first, to smooth out his employment, and then, if he can not succeed through business success or anything else, he will set up the agency by which employment will be found for his employees, the load will be taken off him by other firms. Then it naturally follows that he would have that liability placed upon him, as in Wisconsin, if that was adopted, \$1 a day for 13 weeks; but it would then become the duty of the employees to find a job or to accept a job. It required some discrimination to determine whether it was an acceptable job or not. As soon as the job was found for the employee, or if he refused to take it, or if he did take it, then the employer's liability ceased. So if the employer went out and found

him a job, and we put it at a dollar a day, the employer would save about \$90. If he does not find a job, or if the man does not get one himself, he pays the \$90. That means a system of employment offices, a system of mutually conducted employment offices. We had some experience during the war in developing a system of employment offices in Wisconsin under this same industrial commission, and it was necessary to have a system of employment offices for several reasons. First, you must get your statistics of unemployment, and you must have some place where the unemployed worker will register; and I know of no way of getting statistics except by having a system of employment offices where every man registers as soon as he is out of work and where his name is taken off when he gets work. We set up that system in the Chicago market, and I will explain how it was in the State of Wisconsin.

We had a number of offices established there, and this in the principle on which these offices were established. Take the Milwaukee office. I will describe that, because I know concretely how it was, and I took part in the organization of it. We have a committee of management of the employment office in Milwaukee. It consists of four representatives of the manufacturers, four representatives of organized labor in the city, and you must remember that in Milwaukee we have this rather tense situation, that organized labor is all socialistic, and the manufacturers are all capitalists, so a joint body administering the office is significant. The employees in the office are appointed by the State industrial commission. We have 12 offices. In Milwaukee the employees are appointed. The locality, the municipality, pays all of the operating expenses other than the salary, so the city government and the county government each paying these operating expenses are represented on the board of management. The Federal Government has made the Milwaukee office a proposition, and Mr. Jones can tell you about that, and they have made them ex officio Federal employees, or at least their superintendent, which gives them the privilege of the post office. So you see that it is a cooperative system. Now, the all-important thing is the class of employees who administer these employment offices. When the industrial commission took hold of that situation, we had an employment-office system in Wisconsin which was solely political.

People were appointed and changed according to political influence and power. The result was that no legislature, no municipal council, would ever appropriate money to this employment office. They had been running for 20 years, and while the State and the city made a gesture of finding work for the unemployed, yet by the very fact of incompetency in the management, neither the State or city would appropriate funds, so they had a just complaint that they could not do anything because they did not have the funds, but on the other hand the appropriating body could say, you have not got the funds because you can not do anything. You see the circle.

Under the law creating the employment offices under the management of the State industrial commission, they were placed under civil-service rules. Now, we had this other difficulty there. Our civil-service commission, like most civil-service commissions is what I would call an academic body, made up of school-teachers, and I think I know the psychology of school-teachers. Their examinations were academic examinations, strictly. The question was, having

put those officers under the civil-service commission, how were we going to get that civil-service commission to get men who had established qualifications for administration. They must have experience with industry, and I mean the men who operate and man the employment office. Secondly, they must have personality by which they can keep employers and employees working together, so that the employer will have the confidence that he is going to get men, that the office is not going to be used by the unions to injure the employer, and, thirdly, that the office is not to be used by the employers to injure the unions. So we made this arrangement with the civil-service commission.

We had them hold an elimination examination, with the ordinary qualifications of reading and writing and so on. It turned out that that excluded about 70 per cent of the applicants. Then the actual appointment would be made, an oral examination in which this joint committee of employers and employees examined the applicant, and they jointly would select the applicant to run that employment office. We have tried to follow that through generally in all administration of the labor laws in Wisconsin, so that it is a well-recognized method of doing things. The result is that when they started the employment office in Milwaukee—and this advisory committee of employees and employers have no legal authority and get no compensation—they selected the man they wanted and recommended him to the State industrial commission for appointment, and then the industrial commission sent this man to the civil service commission and thus he got on the State pay roll.

As showing the success with which that worked in the selection of competent people and the way in which this class-conscious bias between capital and labor, which is probably more intense and has been more intense in our city because we have the socialistic party, the first two chief officers appointed in the Milwaukee office were Socialists. The employers agreed that the two best people to have charge of that office were two Socialists, and it turned out that they established the office and got it going.

Then, after these people disappeared voluntarily for other jobs, the next person put in charge was a railroad contractor who was supposed to represent the employing interests, and he has been running it fairly successfully since that time, I think, but the labor people consented to his employment. If you have a system of employment offices of that type in which you have the two sides administering it, and yet cooperating as advisory with the State authorities and with this kind of a civil service law, I think we can establish employment offices that will be adapted to administering an unemployment compensation law if we could get that kind of thing.

The CHAIRMAN. I understand that you are going to be here to-morrow?

Doctor COMMONS. Yes.

The CHAIRMAN. It is now 12 o'clock, and the Senate convenes at 12 o'clock. We will adjourn at this point until to-morrow at 10.30 o'clock a. m.

(Accordingly, at 12 o'clock m., the committee adjourned to meet to-morrow, Friday, February 8, 1929, at 10.30 o'clock a. m.)

## UNEMPLOYMENT IN THE UNITED STATES

FRIDAY, FEBRUARY 8, 1929

UNITED STATES SENATE,  
COMMITTEE ON EDUCATION AND LABOR,  
Washington, D. C.

The subcommittee met, pursuant to adjournment, at 10.30 o'clock, a. m., in room 355, Senate Office Building, Senator James Couzens presiding.

Present: Senators Couzens (chairman), Tyson, and Walsh of Massachusetts.

Present also: Dr. Isador Lubin, assistant to the committee.

### STATEMENT OF DR. JOHN R. COMMONS—Resumed

The CHAIRMAN. Doctor Commons, when you left off yesterday, you were starting to tell us about the agreement of the garment workers' plan in Chicago.

Doctor COMMONS. Mr. Chairman, I have some matters I wish to introduce as exhibits, if I may, and then I shall take up the work back and forth across them, and in that way I think I can save time, and cover the clothing industry and the others.

(Exhibits submitted by Doctor Commons will be found at conclusion of his testimony.)

The CHAIRMAN. Very well.

Doctor COMMONS. I have first Exhibit 1, the Hart, Schaffner & Marx unemployment-fund agreement of 1923. That is the agreement of 1923. It covers the clothing industry of Chicago, although it is printed by Hart, Schaffner & Marx. Then comes Exhibit No. 2, which is a revision of the Chicago agreement, entitled "Unemployment insurance fund, agreement of 1928." Next I shall take the liberty of introducing as part of my exhibit, two communications addressed to the chairman, Senator Couzens. The first is Exhibit No. 3, being the statement of Dr. Benjamin M. Squires, chairman of the unemployment insurance fund in Chicago. Mr. Squires is my successor in that chairmanship.

Exhibit No. 4, is a letter to Senator Couzens from Earl D. Howard, the labor manager of the Hart, Schaffner & Marx firm, dated January 22, 1929. Exhibit No. 5 is a digest of the Huber unemployment prevention bill of 1921, a statement of mine respecting the bill, and a copy of the bill itself. This is entitled "Huber Unemployment Prevention Bill, 1921." Exhibit No. 6 is a revision of the Huber unemployment prevention bill of 1925. I am submitting that in

manuscript, because I have not the legislative copy. Then comes Exhibit No. 7, which consists of three volumes of mimeographed reports by the Industrial Relations Counsellors, 165 Broadway, New York, dated February, March, and April, 1928. The first volume containing a report of company plans, the second the joint agreement plans, and the third the proposed legislation. I should say regarding this report that it is a confidential report, preliminary, gotten out by the Industrial Relations Counsellors, and since coming to Washington I wired them as to whether they would consent to its being introduced as an exhibit in this hearing, and I have a telegram from them consenting that it be introduced. My reason for submitting that report, while it is quite extensive, is because it is by far the best investigation by the most competent people that could be made on this subject of unemployment insurance. The Industrial Relations Counsellors is an organization established originally on the foundation of John D. Rockefeller, jr. The people employed are experts in this whole subject of industrial relations, the most distinguished men. One is Mr. Bryce Stewart, who appeared before your committee. He was the main instrument in developing the organization of the Chicago market. It is as if this committee were to employ the best experts in the country to investigate this subject, and bring it down to 1928.

Doctor LUBIN. Doctor Commons, I suggest that you tell the committee what they contain.

Doctor COMMONS. I am quite certain that all employers who are considering anything along this line would want these reports, because they enter into great detail and are admirably digested. In the first volume there are reports of 12 company plans, including the plan of Leeds and Northrup, that was presented to you yesterday by Mr. Leeds. I showed him this report, and he seemed quite satisfied with it. The second volume is on joint agreements, and this one includes an exceptionally competent report on the Chicago system and permits me to skip over many details that might otherwise occupy your time, but it has several other joint agreement systems. The third volume is on proposed legislation, which includes an excellent statement of the Huber unemployment prevention bill, and all of the legislation that has been proposed in any American State, giving the pros and cons of opinion regarding these measures, so that it is practically an authoritative statement of that aspect of the question. This is Exhibit 7, in three parts.

I shall now take up the Chicago market system in the men's clothing industry, and present some of the general principles illustrating them by the way, in which it was worked out in the Chicago market, and then go from that onto the other aspects of the question, State and Federal. First, as to what you might say were the theories or expectations nine years ago when this matter was first presented, of what could be accomplished by unemployment insurance, so called. There were three things which were advocated at the time as reasonable to be expected by the enactment of such legislation, and by the installation of a corresponding system in the Chicago clothing market. The Chicago clothing market system is exactly the one that is proposed in the Huber unemployment prevention bill, except that the Chicago market is by joint agreement, by the associated manufac-

turers and organized employees, while the other is legislative. The three things expected were, first, an inducement to the employers to regularize their employment. The second was an inducement to the employees to remove their restrictions on output, and to cooperate with the management in increasing the efficiency of the industry. The third was an inducement to the employers and manufacturers to cooperate in the establishment of free public employment offices. These three were the expectations or the theories underlying the proposition at its beginning. I shall take those up in order, but will begin with the Chicago market and go into those three aspects of the question and see to what extent we can discover whether those expectations were realized.

This agreement in the Chicago market took effect in 1923. During the first year no benefits were made.

Senator TYSON. With whom was the agreement made?

Doctor COMMONS. It was made by the Associated Clothing Manufacturers, manufacturers of men's clothing, in the Chicago market, some 400 firms, and the Amalgamated Clothing Workers of America. At that time there were about 30,000 employees in the Chicago district, and for the first year they collected funds. I have a statement of the results to date, to January 19, 1929, that is, of the financial results. During this time there have been contributed to these funds, that is, since 1923 through 1928, \$5,050,428. There have been paid out as benefits to the workers, \$4,081,116, to which should be added a special arrangement of \$103,671. The general office expenses consisted of equipment, \$21,000, and operating expenses during these five years, \$324,000. If you compare the benefits account, \$4,100,000, with the operating expenses, \$324,000, you will find that the operating expense is about 8 per cent. This being a mutual association, 8 per cent is a very good record.

The CHAIRMAN. I think you told us yesterday the proportions in which this contribution was made, did you not, or whether it was made all by the employers?

Doctor COMMONS. I shall develop that as soon as I make this statement. There is a balance on hand in January, 1929, of \$593,000.

The agreement which started this arrangement in the Chicago market was under consideration for two or three years. Finally it developed to this effect, that the employers agreed to pay into the fund 1½ per cent of the pay roll, and the employees agreed to authorize their employers to deduct from their wages a corresponding 1½ per cent, making 3 per cent on the pay roll. In 1928, the employers increased their contribution to 3 per cent. That agreement runs to 1931. The present agreement is 4½ per cent on the pay roll.

There are two systems operating in the Chicago market, possibly three. First, the general idea is that this should not be an insurance fund in the ordinary sense in which one firm pays for the unemployment of another firm, but that it should be a house or establishment fund, in which a company is responsible only to its own employees. There were only about 70 firms of size enough to undertake that kind of individual establishment responsibility, so it was necessary to organize the small firms into a mutual insurance company of about 400 small firms. So that we have in the Chicago market about 70 different boards of trustees. Each house has its own

board of trustees, making about 70 separate boards. Then these small contractors are united in one common fund. That is strictly a market or insurance fund. In order to obtain uniformity all of these boards elected the same person as chairman. I was chairman of the 70 different boards, and the administrative problem was how to get them all to act uniformly, and that was worked out by a system of conferences and then holding meetings independently of about three board meetings—three different boards. That is a detail of the organization that I need not go into. The next thing was how to handle the funds. It was necessary to set up one central office for handling the funds for all these different boards, and keeping accounts with all the firms and also keeping an account with each one of the 30,000 wage earners as to their employment and unemployment. It required a little time to install that system, but by the aid of companies whose business it is to establish offices of that kind, we put in a system of labor-saving devices of various kinds. The significance of that is that 30,000 checks had to be written twice a year for 30,000 employees, and accounts kept with each one of those 30,000 employees and with the firms themselves individually—rather a large bookkeeping proposition, but the fact that they got through on an 8 per cent operating expense shows that it can be done very reasonably. That does not include all of the expense. I might say that the most important thing in the minds of the people working in the matter was to create confidence upon the part of the 30,000 workers that their future was being cared for in periods of unemployment, and to inspire confidence in them that this was to their interest, that it would affiliate them directly with industry, so that there might be developed a psychology or attitude of approval of this system.

It was devised that these checks should be distributed in two payments, not weekly payments but in two lump sums. The fund is not a large one. It amounts only to about \$60 or \$70 per year to an employee, so that he will get a check for \$30 or \$35 twice a year. It must be remembered that this industry is highly seasonal. At that time, 1923, there were only about 35 weeks of employment on the average in the market, leaving about 17 weeks of unemployment. It has now been reduced so that they have about 40 weeks of employment this last year, leaving 12 weeks of unemployment. The result of that is that every employee is entitled to unemployment relief.

The CHAIRMAN. You mean by that at some period of the year everybody is unemployed?

Doctor COMMONS. Practically everybody is unemployed, and the average at that time was 17 weeks of unemployment, and now it is an average in 1928 of 12 weeks.

The CHAIRMAN. I understand that the industry is in such a position that there is no continuity of employment for anybody. Is that correct?

Doctor COMMONS. There are two seasons in the clothing industry.

The CHAIRMAN. Yes; but does a plant relieve itself of all of its employees at some period of the year—of foremen and superintendents and workers of all kinds?

Doctor COMMONS. The great bulk of them. Practically all of them, yes, are entitled to relief, are laid off.

The CHAIRMAN. At some time during the year?

Doctor COMMONS. Yes. The industry is largely conducted on the order basis. I shall speak further of how the companies have started in to regularize, and how some firms have reached the point where I was told that there was one that is now built up to 52 weeks of employment, so that it has now no unemployment relief. That is exceptional. The ordinary firm, marketing competitively in the national market, and largely on orders, is not able to give steady employment, but two or three firms have developed devices and so operate their affairs now that they have about 47 weeks of employment. We call that 47 weeks of employment full employment, and we have put in 5 weeks of holidays and vacations—two weeks of vacations, twice a year, and holidays, during which they are unemployed.

Senator TYSON. In what months as a rule are these distributions made?

Doctor COMMONS. At the end of the season.

Senator TYSON. What time does the season begin?

Doctor COMMONS. The seasons run from November to May and from May to October. They are now working on the summer goods for next summer. They will be off the summer goods about May.

Senator TYSON. Then you give them the benefit?

Doctor COMMONS. Then along in June following they will get the unemployment benefit for the preceding season.

Senator TYSON. And you say that that average is about \$35 every half year?

Doctor COMMONS. Yes. The psychology of it is this: During the first year when contributions were being paid in both by employees and employers, and it was being deducted from their pay envelopes, there was a good deal of dissatisfaction and unrest. The first payment was made after it had been going about a year and a half. It was made by calling together the employees of the various shops, and distributing at that time the checks to the individuals. They were called together by the business agents of the union who distributed the checks. I remember when that first check distribution was made. I don't know how many thousand workers received checks, but the attitude of the whole rank and file of them changed immediately, and they became firm supporters of the unemployment insurance. I shall speak about the effect of that later.

Senator TYSON. May I ask what is the average wage? You spoke about their getting \$35 semiannually. About what is the average wage per week?

Doctor COMMONS. The average wage for the market for the year ending May 2, 1928, for the Chicago market, is \$1,564. The average weekly wage distributed over the 52 weeks would be \$30. The average for the full-time weekly wage, actual work time, was \$40. This figure is on the basis of 40 full-time weeks employed.

The CHAIRMAN. What is the percentage of men and women engaged in the industry.

Doctor COMMONS. It is 40 per cent women and 60 per cent men. The average hourly rate of pay is 91 cents.

Senator TYSON. And what hours do they work?

Doctor COMMONS. Forty-four hours a week is the full time.

Senator TYSON. That is 8 hours for 5 days and 4 hours on Saturday?

Doctor COMMONS. That is the idea. The average actual work during the year was 33 hours. I shall speak first of the feature that I mentioned last, the employment office. In any scheme of unemployment insurance, the first requisite is a satisfactory system of employment offices for registration, and keeping a record of the individual employees, and determining the liability of the fund toward them.

I know of no system of unemployment insurance which has not been preceded either in Europe or America by a satisfactory system of employment offices. In the case of the Chicago market, the union has established an employment office of its own and has done it on a very exceptional basis. They brought it from the Canadian Department of Labor, Mr. Bryce Stewart, who testified before you, and put him in charge of building up their employment office. He was with them three or four years, and built up a very remarkable system of employment offices. When this unemployment insurance system came in the unemployment trustees began to take some jurisdiction over the union employment office. It had to impose upon the union office, which theretofore had been run in the interest of the union, certain rules, records, and reports, and to have close connection with the employment offices. That was worked out in great detail, so that we had the basis of a registration office there which might keep reports. The rule was substantially this. When a man or woman was laid off or out of work, he or she had to report immediately to the employment office. Unemployment benefit does not begin until after the time they have reported themselves as unemployed, and as looking for work. Then when they find work, or when the office finds work for them, they are taken off the unemployment list and the record is made on their cards in the central office of the unemployment fund. So that for the first time we have accurate statistics of employment and unemployment in the clothing industry. It is as accurate as anything could be in any business operation. Previous to that it was entirely guesswork as to how many were unemployed. So we have been able to make charts which you will find in these exhibits of the cycles and seasons of unemployment.

I want now to extend the question of the unemployment office a little further and take it up with reference to the Huber bill. The Huber bill was based on the existence in the State of Wisconsin of employment offices which we thought were very efficient. I shall take the Milwaukee office, in order to bring out the idea of an efficient administration of employment offices, not only for ordinary employment purposes, but also as a basis for an unemployment insurance system. The employment office in Milwaukee, for example, is operated by the State industrial commission, so far as the payment of salaries is concerned. The city and county of Milwaukee contribute to equipment and maintenance, telephone and similar things. Then an advisory committee is appointed, consisting of 4 representatives from the chamber of commerce, the employers, and 4 representatives from the Federation of Labor—that is, organized labor—4 from the city government, and 4 from the county government, making 16 on the advisory committee. The most essential thing

about an employment office is the training of the officers who do this work.

Ordinarily we find that under our political system there is stability of employment by the officials of the employment offices. They are changed whenever there is a change in administration, there is no future for them; but an arrangement was made in this case by which officers should be placed under civil-service rules of the State civil service commission, which would hold an elimination examination, and then the committee of employers representing the chamber of commerce, and the committee of the Federation of Labor held an oral examination and selected the people to man the employment office. They make their recommendations to the industrial commission. It certifies that to the civil service commission, and in that way they get on to the State pay roll. That is wholly eliminating politics from the organization. It is surprising what powerful influence is brought upon a governor to retain incompetent people in employment offices. We came against that when we started the employment office, because we had to remove the preceding official who had been appointed, and when we removed him the governor was borne down upon by judges and the principal politicians of Milwaukee. We could not possibly have resisted the pressure, and the only way in which we could resist the political pressure was by referring all of these citizens, judges, and others who were supporting this man, to this committee of employers who were in charge along with the unions of the Milwaukee employment office, and those employers who had no political motive in the matter, who simply wanted to get efficient employment officers, immediately disposed of these objectors, and the whole system was established on that basis.

I don't believe that we can have public employment offices in this country until the employers are willing to support those offices. We may make a gesture of establishing employment offices, as applied to the State and Federal Governments, but we have no civil service rules for selection, we have no joint committees of employers and unions.

The CHAIRMAN. To whom do you refer when you say "we"?

Doctor COMMONS. All of the people of the United States of America, including the Federal Government.

The CHAIRMAN. Do you mean to say that we have no civil service rules in the Federal Government?

Doctor COMMONS. We have none in the employment office service.

The CHAIRMAN. Of course they could be placed under civil service by legislation. Mr. Jones, of the Department of Labor, is here, and I will ask him whether that is correct?

Mr. JONES. None of them are under civil service. A few States, as I understand it, as, for instance, in New Jersey, have civil service, and also in the city of Newark. I think they are under the civil service there, but it is not a general proposition as Doctor Commons says. It is political.

Doctor COMMONS. That means incompetency to begin with.

Senator TYSON. Did I understand you to say that when this man was dismissed, when you finally got rid of him, they were under civil service in Wisconsin at that time?

Doctor COMMONS. No; he had not been under civil service. We had had an employment system for 10 or 15 years, but not under civil service. When we started this system that I speak of in 1911, then it was put under the civil service.

Senator TYSON. And it is under civil service now?

Doctor COMMONS. Yes. This is the point I wish to make about civil service, and I think it is altogether important. We will never have adequate employment offices until something of this kind is done. We must have them actually administered by the organized employers, and I think in cooperation with organized labor, and if I were to suggest any form of administration for the Federal service, I could only base it upon the experience which we have had in Wisconsin in administering it, especially the Milwaukee office, and that the Director General of the Federal Employment Service should be authorized to appoint advisory committees, representative of the employers and employed. You could not very well put that in the law, of course, that it should be organized labor. I shall give my reasons why it should be organized labor. There should be some provision regulating civil-service rules to the effect that this be the organized employers and the organized employees, because it would be something like the national association of manufacturers and the American Federation of Labor—that they should be the ones to hold the oral examinations on fitness, and to certify their recommendation of their selection to the director general, and, of course, to the Department of Labor, or whatever administrative department has it in charge. This is what is accomplished: The civil-service examination ordinarily can take into account only educational qualifications. It can not take into account the fitness for the job. Here is the peculiar kind of fitness necessary in these employment offices, which no examination can ever accomplish.

The person selected to operate the office must be one who can have the confidence of the employers who handle and patronize the office, so that he is able to go out and solicit patronage. He must have the confidence of organized labor, because the political attacks which will be made on the system by candidates for office, who will advocate that these offices are created in the interest of labor and that labor should control those offices, and, consequently, in order to head off that kind of political attack, organized labor should be represented on the boards that actually select the staff, so that they can report to their organizations whether the thing is on the level or not, and the manufacturers should be represented so that they can similarly report to their constituency to see whether it is on the level, and it is not worth while to take into account unorganized employers or unorganized labor, because they have no constituency to report to. That does not interfere with the manufacturers association having its own employment office. For example, in the Milwaukee system, one of the four representatives of the employers in managing the municipal office is the secretary of the employment service of the metal-trades association. An employers' association needs to have its own employment service, for two reasons. One is that it may connect up with the skilled mechanics and may transfer them from one shop to another, as in the metal trades, and the other is that it may be able to head off organized labor. It usually has a detective system along

with the employment office, and those businesses are naturally necessarily a part of an employers' employment service.

On the other hand, the unions, as in the Chicago system, want to set up their own employment office for exactly the same reason, that they may control the labor supply, and so the two systems of employment offices operated by the employers and by the unions are what you might call the militant employers' union association, and at the same time those agencies can go on and you can still have a public office as shown by our experience. One of the most useful members on this advisory board is a man in charge of the metal trade association employment system.

The CHAIRMAN. You mean the employers' association?

Doctor COMMONS. Yes. I call it the metal trades association. So I would not think it worth while to recommend a Federal or State employment system that did not have a provision of the kind that I have mentioned, of the joint management by capital and labor, but simply as an advisory body, because the director need not take their advice. But as a body which actually does manage in the sense that it has a voice in the selection of the staff.

The CHAIRMAN. You say that this advisory council or board should be made up of organized labor and organized manufacturers or employers. Would that in any way militate against the unorganized workers or the unorganized manufacturer or employer?

Doctor COMMONS. The manufacturer's side of the advisory committee is always going to protect unorganized labor. They are not going to allow him to be discriminated against by the union. If you have the two together, it is impossible to discriminate against the unorganized. On the union side, it is not so much the efficiency of the union as compared with the efficiency of the employer, for we find that the efficiency is much more the employer's side; their representatives are the ones who have initiative and experience; but on the union side, being present and participating, they can assure labor that the thing is being conducted without discrimination against organized labor, so that you get then a personal administration; and by the very nature of the advisory board, really the governing board, which, in Milwaukee, meets once a week to go over the week's work, there can be no discrimination either for organized labor or for unorganized labor.

The CHAIRMAN. Have you any statistics as to the number of men who clear through these agencies?

Doctor COMMONS. Mr. Jones can give you all of the statistics of the Wisconsin office. He has them at his disposal.

Senator TYSON. Does any unorganized labor apply to them?

Doctor COMMONS. Oh, the great bulk of applicants is unorganized labor.

Senator TYSON. It is not controlled by organized labor, so that the unorganized do not come there and make application for employment?

Doctor COMMONS. I should say that 95 per cent was unorganized labor. Would not you, Mr. Jones? That is, in the Milwaukee office?

Mr. JONES. Yes. Organized labor takes care of their own.

Doctor COMMONS. Yes; the organized unions will take care of their own mechanics, and the employers are more concerned about keeping

a list in their organization of the skilled people they need, so that these public offices are more for unskilled and common labor. That is an important fact. It is the only way in which that class of labor is going to have a square deal from the American public as to job finding.

Senator TYSON. You think then that the organized labor on the committee protects the unorganized labor?

Doctor COMMONS. It protects the organized labor. The manufacturers protect the unorganized labor.

Senator TYSON. Don't you think that the unorganized labor ought to have some protection for themselves?

The CHAIRMAN. If they are not organized, how would they send their representatives there?

Senator TYSON. Any man who is not representing organized labor. There can be some man, it strikes me, who could represent unorganized labor as well as organized labor.

The CHAIRMAN. I don't see how you can represent anything if you are not organized. I don't see how a Member of the House or the Senate could represent anybody if he did not have the organized voters.

Senator TYSON. I can see how one man can represent everybody, how one man can represent organized labor, and somebody represent everybody in the State. It strikes me that everybody has a right to be represented. I don't see why you should confine it to the employers and to organized labor when 95 per cent of the people interested are not organized.

The CHAIRMAN. The point of the thing lies in the fact that it has worked.

Senator TYSON. That is the same point we have been fighting for for 150 years. You have no representation here. It does not make any difference to me, but I think myself that the organized labor helps to hold the prices in wages for everybody in the country. When they get them everybody else is affected beneficially by it, but at the same time it seems to me that when you put up two classes of people, one of them representing 95 per cent of them, that you are hardly giving those 95 per cent much representation.

Doctor COMMONS. Senator, it is a condition that we face rather than the theory.

Senator TYSON. That is what I am speaking about.

Doctor COMMONS. Prior to the installation of this system—and I am speaking of my own knowledge, having a year in administration and in the installation of it, we went on the theory that one man was as good as another for running an employment office, and we found this: That it was run solely by those who had political influence. Now we put in this system of having a joint committee. The city federation of labor names four people, the organized manufacturers name four people, and they are the people who are fighting each other.

The unorganized are not doing any fighting at all. They are not engaged in any political movements to amount to anything. They are negroes and other classes of people and are advised that it is impossible for them ever to select a person that would represent them. So that the person who is presumably representing them is selected

by political influence, so that, so far as this thing is concerned—this particular problem that we are up against—it is the conflict between capital and labor, and that is the conflict between organized capital and organized labor. That is the condition that we have to face, and the question is, if there is going to be any disturbance, or any breaking down of the system, it is not going to come from the unorganized, but it is going to come from the organized labor or from the organized capital, the organized employers. The real difficulty in the whole matter is to get the organized employers—who in our case are practically all open-shop or antiunion employers—to be willing to sit with the representatives of organized labor. In our case organized labor has been controlled by the Socialists and the Communists so that there is keen antagonism between them, and it takes some ingenuity and a clean, open-cut program to get the two to work and meet together and to agree together upon the selection of a staff; and that staff must be selected so that it will not show any discrimination either in favor of employers or in favor of employees, and after the thing got to going—and at first it took a little time—the thing for the last 15 years has worked automatically, and we have employers on that committee, and we have had the representative of the International Harvester Co., the superintendent in Milwaukee, who was probably the genius on this whole thing, and he took a personal interest in it and developed it, and more to him than to anyone else is owing the perfection of the whole mechanism; and organized labor simply sat by and looked at him manage it. That is the way that this thing has worked out.

Organized labor could then say to their constituency, "Why, the International Harvester Co. is not running this office, because we are there and we see what is doing; we know what the office is doing," so that they have perfect confidence; and I don't know of any other instance where the employers and the unions in our State come together and do any talking together at all. They not only do not recognize each other, but they are politically against each other. The question is how to get them out of politics. We have the Socialist-Labor Party in our State. We have really a European class-struggle situation, and we had to meet that practically, and that is the way that we met it.

In looking over the national situation I can not see really much difference if we are going to establish a Federal system.

The CHAIRMAN. Is it not a fact that the railroads through some such system as you have suggested have largely overcome the car-shortage proposition?

Doctor COMMONS. Yes.

The CHAIRMAN. I remember that after the great car shortage happened, the railroad executive association here organized councils in all the big districts and distributed their car equipment, and on that council the shipper was represented and the railroad was represented; and I think that system, purely voluntary, has largely solved the whole car-shortage difficulty of the country. It is one of the most successful things that the railroads have done since the war.

Doctor COMMONS. It seems to me that all legislation for the future in dealing with this question of antagonism between employer and employees will have to recognize that it is only through collective action that Congress can hope to get the results they want to have. It

is organized capital and organized labor that are equipped to act, and if they can be brought together to run the employment offices, that will be the solution. Of course you have your chairman or your director, and an employee of the Government selected under proper civil-service regulations, and the director himself ought to be selected by this joint body.

The CHAIRMAN. After he has passed the academic examination.

Doctor COMMONS. Yes; so that he would have permanent tenure of office. He would be satisfactory to both sides, and they would know that everything was on the level. There is a third element that should be represented, which you do not get from organized employers or from organized labor, and we find that quite important. There is what you might call the expert public. I may be speaking here somewhat in favor of professors, but we have developed in the various economic fields men of great eminence. Take this industrial relations counselors crowd. The kind of men who do that work should be on these advisory committees, because they are the men who are studying this thing in all phases and in all countries, and some of them have had a good deal of experience in administering these offices. The director general should be able to select for his advisory committee an equal number possibly of that type of people.

None of them should be paid any salary or any per diem. They should be paid only expenses, because if there is any money in it, for anybody, you are going to ruin it. By having it purely voluntary, we have on our committees in Wisconsin men whom you could not get for a hundred dollars a day—engineers, managers of big properties—and you could not pay them enough, the State can not hire them, and it is necessary only to pay their expenses, because otherwise the laboring people could not attend. The expenses are the only things that should be paid. There should be no per diems, because you will understand the kind of people that get in when they pay a per diem. They stretch that out and get quite a little picking out of it. You want to get the busy men, the men who are actually solving problems in their own establishments every day. They are the people who should be enlisted in this whole national and State and municipal employment service, and you can command their services if you have the proper organization along the lines that I am speaking of. I think our 17 years of experience in this line has demonstrated that. You may question Mr. Jones when he comes before you about the employment office at Milwaukee. It is a part of the Federal system now. I shall not go any further into that.

The next question that I expect to promote by unemployment-insurance system, assuming that we have an employment-office system that will function, is the promotion of efficiency. I shall have to make a distinction between two kinds of efficiency. One I might call spiritual efficiency—a willingness to cooperate, and the other technological—that is, the work of the engineer, the production manager, and so on. This unemployment insurance is directed toward bringing about on the part of the wage earners a favorable attitude toward increasing efficiency. I have worked on that subject for 30 years, and if you do not mind I shall give you my first piece of investigation on that. It is in the eleventh special report of the United States Department of Labor in 1914, a report on the restric-

tion of output. I investigated for the Department of Labor a number of industries in this country and in England as to the restrictions of output by organized labor and unorganized labor, and the result of that investigation convinced me that there is just one reason why labor is opposed to efficiency, opposed to increased production. It is simply the fear of unemployment, the fear that they will kill the job, the fear that they will throw themselves out of a job. I shall give you one concrete case, and I think perhaps you will appreciate this argument. A friend of mine, a manufacturer with about 2,000 employees, held a very humanitarian idea. He was new at the manufacturing business. In fact he had been a professor in our engineering college. He went into business, with a professor's idea of humanity rather than with a business man's "roughneck" idea, if you will allow me that expression. He had a large contract, and when it was finished he knew that he would have to lay off his whole force for some three or four or five weeks. He reasoned to himself, "What would I want to know if I were going to be laid off? Wouldn't I want to have a chance to get a job?" So he said that the fair thing for him to do by his employees was to give them two weeks' notice that when the job was finished they would have to be laid off. So he gave them two weeks' notice in a spirit of kindness. The whole force, which was unorganized, and an open shop, laid down on the job, and it took them five weeks to finish that piece of work, and he went in the hole financially. He simply changed from a humanitarian to a "roughneck," and he is now one of our hard-boiled employers.

What was the reason? Labor has families to feed. The one dread that causes them to restrict output—and it is not true simply of organized labor but runs through the whole ranks of labor—is the fear of unemployment. I have tested the situation in the Chicago market prior to coming here as to the efficiency question, and I tried to find out whether this unemployment insurance in the Chicago market had accomplished what I thought it would by reducing that fear of unemployment. I have figures here from one of the firms that I am not permitted to release yet—I may get permission later—and I shall have to give you merely the result.

The system went into effect with the first payment of the benefit to employees, about 1924. In 1925 the union appointed a committee to meet and to work with the committee of the employers and go through all of the shops and find out whether there was any restriction of output and to remove it. This affected several firms, but I am speaking of the one that I have in mind, with about 2,000 employees. This particular firm was about to go on the rocks. Its unemployment fund was exhausted practically; we expected it would come out on the deficit side. The union went to work to save that firm from going on the rocks. They enabled it to put on a different line of garment, to sell at a lower price. They cut out all of the restrictions and permitted the company to introduce mechanical devices, and the result is this, that during the period since 1925 the output per man-hour has increased just 40 per cent in three years. Because of this increased efficiency the number of suits per 44 hours has increased 40 per cent. What happened is this. We had a remarkable burst of what I call spiritual efficiency, and I want to show

the significance of that. I have known that clothing market for 30 years. All of the people employed there were Bolsheviks. I used to talk to them organized labor, and they used to talk in this casual way about how they would do when they took over the different manufacturing firms and operated them by the union. This is the way they put it. If the management was decent about it and did not raise a row, they were going to put them on a salary, and if they were not decent they would take them over and let the management go. They changed entirely and since 1925 are quite different. I have students who have been labor managers in industry, and they tell me now that that union has lost its ginger, its pep, and is turning to try to help the employers make profits.

Senator WALSH of Massachusetts. What has caused that change of mind?

Doctor COMMONS. This unemployment insurance has been the principal factor, in my judgment. Since 1925 they have not had a stoppage. The union could not control little shop strikes, but they have not had a stoppage. Most of the suggestions for substituting machinery for hand labor have come from the mechanics of the union. I could go into those details, but it is not necessary.

The suit which they formerly had to sell for a certain price, and I shall not give you the price, they have reduced in price about 25 per cent to the public. They have shortened the hours, they have increased the wages, and the statements by the firm show a larger profit continuously, and the interesting thing about it is that the union points to the financial statements of this company as a justification for their participation with the firm in these various increases in efficiency.

The CHAIRMAN. In the case of that concern that you state was about to go on the rocks, did they come out successfully?

Doctor COMMONS. They came out successfully. They put a suit on that they sell for a third less, and they come out with a good balance in this insurance fund at the end of the year, whereas we expected that it would disappear; so quickly can these things operate if you have cooperation. I mention that as an extreme case, a change from an attitude of confiscation, the confiscatory attitude of the immigrant, largely Jewish laborers, and entirely communistic, over to a cooperative organization helping the management in making more profits, and they sharing of course. I was on an arbitration board for them two or three years ago, and we gave the union 10 per cent increases in wages, and the employers now make better statements.

The CHAIRMAN. I think yesterday Mr. Leeds said that he did not believe that the employee should contribute to the unemployment insurance. Have you any views on that?

Doctor COMMONS. In the case of the system in Chicago the employees proposed that the employers should be the sole contributors, and they wanted the employers to contribute 3 per cent on the pay roll. In the final wind-up they divided 50-50, the workers paying 1½ per cent and the employers 1½ per cent. The argument that influenced the employers was this: We need the cooperation of the laborers not only in this but in increasing productivity, and so on. We have to have them feel the sense that they have a financial

stake in it, and they said that they would not go ahead unless organized labor contributed. It was against what the union wanted, because they took the view that industry was responsible for their employment and that the employers should take care of it. My opinion was that that was a satisfactory solution, but when it came to the revision in 1928, the employers increased their share up to 3 per cent, while the union left its at 1½ per cent. That was not solely because the employers were satisfied that this was a good thing but it was a part of a trading arrangement. The union wanted 40 hours instead of 44 hours per week, and the employers did not want to give them 40 hours, but they were willing to increase the insurance to 3 per cent, and in that trading arrangement, it came out in that way. In the Huber bill it is imposed solely upon the employer, and it is made so small, a dollar a day, that it barely pays the rent, with the idea that the employers who operate under this system would then develop cooperative schemes and get contributions from labor or increase their contributions.

Senator WALSH of Massachusetts. Has any legislation been passed yet?

Doctor COMMONS. No.

Senator WALSH. What is this legislation?

Doctor COMMONS. It is Wisconsin legislation.

Senator TYSON. That has not been adopted?

Doctor COMMONS. No; it is dead; just as dead as anything you have here in Congress.

Senator WALSH of Massachusetts. There has been no legislation?

Doctor COMMONS. No. Here is the digest of all of the proposed legislation in the United States, which I am submitting as an exhibit.

The CHAIRMAN. What I would like to know is your own viewpoint as to the psychology of the employee contributing. You recited a statement of the facts without expressing your own opinion. What is your opinion about it?

Doctor COMMONS. I think that as a matter of legislation the employees should not be required to contribute. As a matter of company unions, where the employer runs the whole thing, as Mr. Leeds says, I think the employee should not contribute.

As a matter of joint collective agreement between the employer and the organized labor, I think the employees should contribute, and that should be taken into account in the adjustment of the wages agreed upon in their collective arrangements. It depends upon the purpose that you are going to accomplish.

The CHAIRMAN. In other words, in your description you describe two systems, the market and the establishment systems. In the case of the establishment system, you believe the employees should not contribute?

Doctor COMMONS. No; although both of these in Chicago happen to be union agreements, both the market and the establishment.

The CHAIRMAN. In the case of union agreements, you do not make any distinction between the establishment and the market agreement?

Doctor COMMONS. No; but in both of those cases the union members should contribute. That had a remarkably good effect because you got a union of the organized benefit to capitalism to deal with, and if

you can get them to assume responsibilities for discipline of their rank and file, because the leaders are all right, they will welcome this, and the problem is how to get the rank and file to fall in line.

Senator WALSH of Massachusetts. Have you a digest of legislation proposed or enacted in other countries than our own?

Doctor COMMONS. The industrial relations counsellors who prepared this exhibit are proceeding now to make an investigation of European legislation which will be comparable to this, which I think is the best piece of work that has been done.

Senator WALSH. When will this be ready?

Doctor COMMONS. They say that in book form later they will have a comprehensive world-wide study of various forms of unemployment compensation. I know that they are at work upon it now, and had people in Belgium and Holland last summer. I can not say how soon it will be out.

Doctor LUBIN. I have an abstract of the English, German, and Swiss systems that I am going to put into the record.

Senator TYSON. Is it your idea that there should be legislation requiring employment insurance?

Doctor COMMONS. No; I say at the present stage that there should be no Federal legislation on unemployment insurance, that there should be legislation along the lines that I am offering for the establishment of an unemployment service, that all legislation and all unemployment insurance should be left to voluntary efforts or to the States, but that in the enactment of a law creating a Federal employment service there should be offered an encouragement to the States and the localities to set up proper employment services, and to set up insurance.

Senator WALSH of Massachusetts. Could we not legislate for the District of Columbia and thereby set an example to the States?

Doctor COMMONS. You certainly could. You are the legislating body for the District, and it could come only through your action here. I have not been able to finish all of the points that I wish to touch upon.

The CHAIRMAN. How long will it take you to finish?

Doctor COMMONS. I think about half an hour.

The CHAIRMAN. At this point we will have to adjourn, as it is 12 o'clock, and we will meet to-morrow at 10:30 o'clock a. m.

(Thereupon, at 12 o'clock noon, the committee adjourned to meet to-morrow, Saturday, February 9, 1929, at 10.30 o'clock a. m.)

## UNEMPLOYMENT IN THE UNITED STATES

SATURDAY, FEBRUARY 9, 1929

UNITED STATES SENATE,  
COMMITTEE ON EDUCATION AND LABOR,  
Washington, D. C.

The subcommittee met, pursuant to adjournment, in room 335 of the Senate Office Building, at 10.30 o'clock a. m., Senator James Couzens, presiding.

Present: Senators Couzens (chairman) and Tyson.

Present also: Dr. Isador Lubin, assistant to the committee.

### STATEMENT OF DR. JOHN R. COMMONS—Resumed

The CHAIRMAN. You may proceed, Doctor Commons.

Doctor COMMONS. Mr. Chairman and Senators, the point that I had reached yesterday was the third point which I had in mind with reference to these matters, and that is the stabilization or regularization of employment. I had spoken about it as bearing on or promoting efficiency. That is mainly with reference to the attitude of the employees. I have spoken of the inducement that it would offer, and the necessity of having a proper Federal, State, and municipal employment service. I should like to add to that that if a reorganization of the employment service is contemplated, we have an extraordinarily good example of how to proceed in the Federal Board for Vocational Education. Their system is exactly the procedure which should be followed in promoting employment offices run by the States, and so on. But I shall not go into that any further.

Senator TYSON. Do I understand that in these employment offices by the Federal Government, the State, or the municipalities, they are to be separate employment offices?

Doctor COMMONS. Briefly, the Federal service is the only one that can operate the farm seasonal employment. They must be Federal employment officers. All of the other officers should be State and municipal. The Federal service, however, should have a staff of competent people to bring up the level of the State employment offices, in order to place its own agents in there to assist the State offices, but put the responsibility on the State offices and then some sort of aid based on the efficiency of the State system.

Senator TYSON. You mean monetary aid?

Doctor COMMONS. I would give a small monetary aid in order to have the influence necessary upon the State.

Senator TYSON. You mean that the Government should give that to the States only and not to the municipalities?

Doctor COMMONS. To the States only. The Federal Vocational Board gives a certain sum to the States, whose plans of vocational education meet its requirements. The States must match that amount, but the figures show that the States put in about three times as much as the Federal Government, and in some cases five times as much. That is the thing to encourage, to sort of bring them up to a level and to have a national unification. You must have some sort of Federal supervision—not doing the work of employment, but attending to the plans which each State has.

Senator TYSON. Have supervision and at the same time make some monetary appropriation?

Doctor COMMONS. A small monetary aid, not the inducement of a great amount, but small enough to encourage the State to go ahead and exhibit initiative on its own part. That will give you a very uneven service, because the States will not come up to any particular level. When the Vocational Board started in, the States knew nothing about vocational education, but now they have reached a point where they get remarkable results.

Senator TYSON. As a matter of fact it is largely a matter of education during a continuity of service?

Doctor COMMONS. The Federal service should be made up of what we call experts. I think the vocational educational service is. It is highly specialized, and a highly informed service, of supervision, inspection, and contingent aid.

On the matter of regularization, this proposition that I am placing before you, I want to repeat it is not an insurance system at all, and it should not be called an unemployment insurance. The proper name is unemployment reserve funds, leaving it to the business firms to decide for themselves whether they will form mutual insurance companies which would be necessary in the case of small firms, but emphasizing mainly the promotion of reserve funds by establishment. In other words, it looks upon labor as a kind of fixed charge on industry, and it is in line with many things that are being done in the past 15 or 20 years.

We have now a very remarkable development, which did not characterize the business of 15 or 20 years ago, of reserves for dividends, so that the stocks of the companies are made almost equal to a bond, not because there is any legal obligation, but because they set aside in good times adequate reserves to pay dividends when there is no work, and then we have reserves now for depreciation, or even for new construction, keeping up the plant, and expanding the plant. This proposition means that labor shall be treated in the same way, that a reserve for unemployment shall be created, and in the Huber bill it is provided that every firm that takes on a new man thereby incurs a liability for unemployment and becomes obligated, in order to maintain its financial standing to set up reserves to meet that liability. Take the period of 1919-20, when business, without any regard to the future, was overbidding for labor. Labor was not only fully employed, but firms were taking labor from each other by excessively high wages. That resulted in the demoralization of labor. The most inefficient period was the years 1919-20. The falling off in hourly output per man was something demoralizing to labor. Labor laid down on the job. Then within a year four or

five million laborers were unemployed, so that they demoralized them first, and then pauperized them afterwards. This means that in periods of activity firms will not expand beyond what the credit situation would seem to indicate. The taking on of new men and the creating of new liabilities must bring the attention of commercial banks to the situation, as to whether the business is expanding too much, so that this proposition of unemployment reserve funds falls in line with other devices for stabilizing of production and employment.

Of course, the most important one in the whole country is the Federal reserve system, which, after 1920-21, has used its powers very successfully toward stabilizing industry as a whole. It may be that they have taken pretty good care to stabilize the totality of industry, but that is not written in the statute. There is no duty on the part of the Federal reserve system to stabilize prices or production. They have assumed that to be, and all of their actions in the last six years indicate that they recognize that as a responsibility of the concerted action of the banking interests of the country. This then falls in with the general stabilization program which is interesting all classes of people.

Here is another thing about labor. Somebody has to pay the bills for unemployment. The example to which I call your attention is one that occurred in my home State. A nonresident corporation had a plant in that State in a small town, and during the period of 1919-20 they expanded to the extent of something like 3,000 employees. Their ordinary establishment was about 2,000. They brought in 3,000 people, paid them high wages, pulled them away from the farms, brought them in from other States, and then suddenly in 1921 they laid them off, 5,000 people, and they were placed on that small town without any notice or any provision of any kind, and the taxpayers of that town had to support them. These people had been taken from different parts of the States; they had been pulled away from agriculture. The taxpayer simply must support these people. This simply means that the business management shall assume that responsibility, that they will not overexpand with the certainty of laying off people.

There are other forces leading toward stabilization. Much more important as the financial inducement to employers is, of course, the fixed overhead charges I have already mentioned, the care for stockholders, the care for reserves of different kinds, and then the overhead charge, which is a larger item than these rather small employment reserve funds. Take, for example, the Chicago market. The reserve to be set aside by the employers there was  $1\frac{1}{2}$  per cent on the pay roll. That is a very small item. In 1928 they raised it to 3 per cent, to which the laborers added  $1\frac{1}{2}$  per cent. Four and one-half per cent is not a large item to attach to a pay roll in order to provide unemployment relief. If it were larger than that we could show a much greater influence of this particular scheme toward stabilizing, for, you see, according to the devices that I have named, the firm that stabilizes its work stops the payment on its fund. If its fund is large enough so that it does not need to make any more payments, it has those payments for dividend purposes. One firm, like Hart, Schaffner & Marx, accumulated a fund which if they could stabilize

employment in their service would amount to a reduction of their expenses of about \$200,000 a year, and if that was distributed in dividends, which they would be if the reserve fund were built up, it would make quite an item in the dividend.

Senator TYSON. Did you mean dividends to the employees?

Doctor COMMONS. To the stockholders, corporate dividends. That is, having built up a fund in good times then it is so arranged that they stop paying. In the English system, or in the insurance systems of Europe, the more prosperous employers are continually bearing the burden, so in Europe the insurance system is the penalty of stabilization. This idea of unemployment reserve funds is a premium on stabilization. The firm that stabilizes reduces its expenses by not having to build up its fund, as Mr. Leeds showed in his statement. By stabilizing they have a rule there that once they have accumulated a fund equal to two months' pay of their pay roll, they stop paying.

The CHAIRMAN. You mean stop paying into the fund?

Doctor COMMONS. Stop paying into the fund. I mentioned one firm in Chicago that has stabilized, giving about 50 weeks' employment. Its fund accumulated adequately so that it has not been paying any premiums into the fund for a year or two.

I want to just mention this, bearing on the three kinds of unemployment that we are familiar with, the seasonal unemployment, the cyclical unemployment, and what we are now learning to call the technological unemployment. I have illustrated it sufficiently in Chicago as to the seasonal employment. They have added the cyclical feature in the Chicago market within the last year. They do not pay the full benefits in the year when there is good employment, as in the last year, 1928, when had a good employment up to 40 weeks on the average instead of 35, but they set aside a reserve, which may be accumulated on the succeeding year, when they are not so successful in their employment or production, so that when the cycle comes around they can give additional employment.

Then a new thing that has come on within the last five or six years is the technological unemployment. There has been this enormous increase in efficiency, and where they have had labor cooperating, it has in the last few years in the Chicago market amounted to 40 per cent increase in efficiency. In the last three years consequently the Chicago market, although it has increased its sales—and I am speaking now of one firm—by 50 per cent, at a reduction of about 25 per cent in price of suits to the customer, and the reduction of about 25 per cent in the number of employees, they have had to lay off about 25 per cent of their employees. In that case, it is pretty nearly a thousand people that were laid off on account of the technical improvements which the employees themselves helped to bring about. That is what I call technological unemployment. That is a serious matter. If we consider the different things that happen, it amounts to this. A large number of these employees drop out for sickness or death or leaving the industry. Of course that reduces the number employed. Then where the technical improvement comes too rapidly for either the expansion of markets or for the voluntary quits on the part of the employees, some provision must be made for laying off an additional number, in order that those who remain on the force may have steady employment.

In the Chicago market they reached that crisis in the case of the cutters, a skilled trade. In one firm they had about 600 cutters, and now under the new devices they have reduced the number of cutters to 250. That makes a reduction of 350 cutters, although the output has increased 50 per cent. About 200 of these cutters had voluntarily quit. There were 150 that were still on the force, but they could not give steady employment to 400 cutters. So they added this feature to the unemployment reserve fund system. They actually paid these 150 cutters \$500 each, of which the firm contributed the largest part, and the employees contributed in this way. They agreed not to receive unemployment benefits. They turned their unemployment benefits over to those 150 cutters, who were, you might say, bought off, and induced to leave the business entirely through this technical improvement. The unemployment reserve fund then, if they are going to take care of this technological unemployment, should have some provision, and it automatically follows that if they have a provision for unemployment, they will get it when laid off through technical changes, reducing the force in order that the others may have steady employment—in order that those who are thus laid off through technological changes might find other occupations that they can go into. Of course that takes up the whole question as to whether industry as a whole in this country is expanding and new industries are coming in.

That is a question that belongs, I should say, to the Federal reserve system, which has more responsibility on that subject than any one else, as to whether it maintains an even level and thus encourages new industries to come in and take up these people who are unemployed. But during this process what happens is that, through this unemployment reserve fund, with possible accumulations for cyclical and for technological unemployment, the purchasing power of labor is maintained to a certain extent, as far as it goes, and not in a general way would support the purchasing power of labor, which otherwise through unemployment would not be available.

What effect the unemployment provision has had in the Chicago market, and that is the only test I know of, and it has been in operation for six years, when you have these other inducements for stabilization, it is difficult to say. I have tried to find out from the Chicago market in the last week what the opinion of the people in industry is as to the effect which this unemployment reserve fund might have had toward inducing the management to stabilize employment, to spread out the employment over the years, and they can not separate it from the other forces which are inducing employers to stabilize their production. They can only say this, that they would not have been able to go ahead with this enormous increase in efficiency if they had not had this system which puts the employees in a frame of mind to be willing to cooperate with them. It was an essential part of the whole system.

But when it gets down to working out the actual details of the enormous amount of detail work which must be put through in order to increase the output of a suit of clothes, which is not subject to any concrete, dramatic invention, but is a matter of minute detail on each seam and each part of a suit, their minds are so occupied with those details that that is the main thing that they are working

for, and it is difficult for them to say that this rather small unemployment reserve fund which they have put up has had very much influence in inducing them to stabilize employment, because there are so many agencies cooperating and leading toward the same effect. This unemployment reserve fund is simply supplementary, parallel to all of the other things which are leading business nowadays to bring about a better regularization of production, and, of course, that means of employment.

It brings attention to one of the neglected factors in the whole scheme. We want to stabilize the dividends of stockholders and thus make stocks a better investment. They are almost as good as bonds, owing to this reserve policy. We want to stabilize production by not overexpanding, and then dropping off. But the attention of the business men and the public, except for a very small number of firms, has not been directed toward doing the same things for their employees that business indicates it should do for its stockholders and for depreciation and construction of plants. So that I look upon it as a necessary inducement to all business firms to pay attention to the labor side of their stabilization policies, and it should not be a very large sum that they should pay. In the Huber bill we made it \$1 a day.

Senator TYSON. A dollar for what?

Doctor COMMONS. A dollar a day for 13 weeks. It should not be large, because the employees must not be led to believe that they can live on the unemployment relief. They must hunt jobs, and it is their duty to accept the jobs. We see the great evil in England where under their system the employees can support a family almost on the unemployment dole. The Government has had to come to help of the unemployment funds there, because they had to keep these million workers alive.

Senator TYSON. Do you think they are coming to a change of the dole in England?

Doctor COMMONS. No; I do not. They just have not the employment; the industries have fallen off.

Senator TYSON. When you have unemployment to the extent that you have in England, you have to raise your dole.

Doctor COMMONS. I would not do that out of the insurance fund. I would say that the Government has to come to their aid. That is what happened in England. The insurance fund would have been bankrupt, but the Government during this period of unemployment has gone directly to the taxpayers and has added a new system which they call the dole.

Senator TYSON. As I understand you, do you think that this can be applied to anything but the manufacturing industry? Most of your ideas are along the line of unemployment in manufactures.

Doctor COMMONS. Yes; it can be applied everywhere.

Senator TYSON. Can it be applied in small business firms, where the number of employees is limited, say, to 10 or 20 or 30?

Doctor COMMONS. When the firm has less than 50 employees, I think it is advisable for them to form a mutual insurance association among the firms. That is the way we did in the Chicago market, with about 400 small firms. They have built up a mutual insurance, but that is not compulsory; it is optional.

Senator TYSON. The difficulty I see about this whole thing is the very thing you are making a point of. When you get this insurance, you make everybody more efficient and interested in his job.

Doctor COMMONS. Yes.

Senator TYSON. When a man gets more efficient he thereby puts somebody out of employment.

Doctor COMMONS. Yes.

Senator TYSON. And thereby increases the very difficulty that we are now trying to correct. Of course, as I see it, your idea is that they have to go into something else, some other form of industry. Do you think that we are going to go faster, so that we are going to have new industries to absorb the increased efficiency and increased population without any change in hours?

Doctor COMMONS. I think that is going to depend upon the policy of the Federal reserve system. If they adopt a policy which will lead to a gradual falling in prices by high discount rates, and so on, similar to the fall in prices in England, which is killing off their industry, then I say that new industries will not start up and take up the unemployment. If, however, they can establish what we call a stable average purchasing power of money, so that we have industry stabilized, then I think that new industries will be entirely adequate to take up the slack of those laid off on account of these technical improvements. I have testified on that subject on House bill 11806, and that is covered quite fully in that testimony.

Senator TYSON. Then you think it is necessary for the Federal Reserve Board to keep a low rate of discount so that money can be made cheap?

Doctor COMMONS. The rate of discount must be flexible.

Senator TYSON. And must not be very high.

Doctor COMMONS. It depends on how business is going. If business is expanding too rapidly—and I am not talking about the stock market, but manufacturing and commerce—

Senator TYSON. But the difficulty is that the stock market has such an effect on the Federal reserve that it apparently can not keep from raising rates in order to try to control the situation.

Doctor COMMONS. We always have to remember this—

Senator TYSON. If you will permit me, I think this is a very pertinent proposition, because I think they are interconnected in such a way that if you do not have reasonable rates for money you are certainly not going to have much expansion in business.

Doctor COMMONS. I notice that Chairman McFadden, of the committee before which I appeared last spring, has given out a statement within a day or so—and I quite approve of his statement—that the Federal reserve system should not pay attention to the stock markets, but should pay attention to the commodity market, and if in order to kill off speculation in the stock market it has to raise the rates in such a way that it will eventually spread into the commodity markets, then its policy is bad. I could not pass judgment on what they are doing now, but I do think this. The statement given out by the Federal reserve system is quite accurate. They say their attitude to commerce and industry is that of furnishing them facilities to conduct business; the stock market is subordinate.

They may have made a mistake in going after the stock market too heavily, but you have to remember this, that always when money is easy, it is going to affect the stock market first, and it has to filter through the stock market into the commodity market. Then, another thing. I am not so much alarmed about the stock prices going up. First, the companies who have done this stabilizing of their dividends, have made their stocks so that they are worth far more than they ever were, and the stock yield is now even below the bond yield. Senator TYSON. But we have had the most scientific management that we have ever had up to now.

Doctor COMMONS. Then also, the statement of these companies whose stocks have risen so high, almost justify the prices which have been paid for them.

The CHAIRMAN. To make a concrete case, how do you explain, when you say that stabilization of dividends has made the stocks more valuable, that the Radio Corporation with no dividends has run up in the price of its stock to such an unreasonable figure.

Doctor COMMONS. There are two kinds of dividends, the income dividend and the stock dividend. The stock dividend is a claim on future income, and those things may have come in to affect it. There may be a big reserve that has been set aside, not declaring dividends, but something they are going to have sometime in the future, and it is a big asset that the company has built up by its new policy of not paying out dividends. That is what this means, that by setting aside an unemployment reserve fund it reduces slightly the amount that can be declared in dividends, because it is another fund that must be taken care of as a fixed charge before they declare dividends. Then, if you analyze these stock prices you will find that the active stocks are less than 200, all of which show enormous increased earnings. I have averaged those stocks with the 2,000 listed stocks, and there is no such inflation in the others.

The CHAIRMAN. In other words, you think there are a great many stocks that are not inflated?

Doctor COMMONS. I would not like to say definitely, but such as I have looked at and have seen their statement, I would say are worth the money that is being paid for them. That can go too far, but, considering the stability of dividends that is a proposition that they provided for and the enormous increase in net earnings which they have for future dividends of some of these active stocks—15 or 20 that I could name—I think fully justify the prices as compared with what people can get by investing in bonds or in commerce. But I would not want to say to that extent, more than 5 per cent of the whole industry of the country, because so many corporations are not showing that statement at all. It is a few of the highly efficient ones. I myself do not see any reason for being disturbed about what the stock market does, and if the reserve system, being scared about the stock market, starts in to depress those prices, it is liable to spread to commerce, and that will not show itself until there is a demand for more money, as the spring business opens up and the farm crops begin to move, and if they can not take another turn before that time arrives it will spread to the rest of the industry of the country.

## EXHIBIT 1

HART SCHAFFNER & MARX UNEMPLOYMENT FUND AGREEMENT BETWEEN HART SCHAFFNER & MARX AND ITS EMPLOYEES REPRESENTED BY THE AMALGAMATED CLOTHING WORKERS OF AMERICA, 1923

## INTRODUCTION

The Hart Schaffner & Marx unemployment fund is a development of the system of relationship between the company and its employees, beginning in 1911 with the establishment of a permanent board of arbitration or industrial court, and an agreement or industrial constitution administered by a labor department. The system has developed and spread in the clothing industry as a definite institution.

The most important and novel feature of this system is the voluntary giving up by both management and union of the final determination of any disputed matter. The final determination of any matter of mutual concern is delegated to the board of arbitration and its decisions become the law, the governing power in the industry, which both parties are pledged to support.

The Amalgamated Clothing Workers of America have adhered for 13 years to this principle of the rule of law.

The clothing industry is seasonal, due to the buying habits of the retailers and consumers and the rapid style changes. This fact accounts for most of the labor problems of the industry and the conditions now existing: Comparatively high wage rates, high labor cost, difficulties of administering the piece-work system, attempts to limit the hiring right of the employer, and periodical problems because of short-time and layoff.

The hectic prosperity of 1919 raised the standard of expense among the workers, impaired their habits of thrift, and left them peculiarly unprepared for the depression which so suddenly descended upon the industry in 1920. That situation forced the attention of the whole country to the question of unemployment. In our case it stimulated both the company and the union to redoubled thought and planning, the result of which is the unemployment fund.

The plan accomplishes to a degree for the worker what a dam does for the water supply of a city; it changes an irregular and varying flow of income into a more regular and uniform stream of purchasing power. It distributes the burden of unemployment more equally over the group of workers and requires the employer and the workers to contribute equal amounts for the purpose. Thus for every dollar the worker puts in on the average, he will draw out two and at the time when the utility value of a dollar is multiplied manifold.

The unanimous selection of Prof. John R. Commons of the University of Wisconsin as the first chairman of the four Chicago boards of trustees is peculiarly appropriate. He is undoubtedly by study and experience the foremost authority on the subject in the country. The other members of the board of trustees of the Hart Schaffner & Marx unemployment fund are: For the A. C. W. A., Sidney Hillman, national president; Bryce N. Stewart, manager employment department. For Hart Schaffner & Marx, Milton A. Strauss, general manager; Earl Dean Howard, labor manager.

## TEXT OF FINAL AGREEMENT

Memorandum of Agreement, made this 3d day of October, 1923, by and between Hart Schaffner & Marx (Hereinafter called the "Manufacturer"), Party of the First Part, and the Amalgamated Clothing Workers of America (Hereinafter called the "Union"), Party of the Second Part; Witnesseth:

Whereas an agreement has heretofore been entered into between the manufacturer and the union with reference to wages and working conditions; and similar agreements have been entered into between the union and certain other clothing manufacturers in Chicago; and

Whereas it is contemplated that agreements similar to this one will be entered into between the union and other clothing manufacturers in Chicago; and the parties hereto are desirous of mitigating the effects of unemployment:

Now therefore, in consideration of the premises and of the mutual covenants herein contained, it is agreed by and between the parties hereto as follows:

ARTICLE I. The union agrees to use its best efforts to cause each of its members employed by the manufacturer (a) to pay to the board of trustees, hereinafter constituted, for each pay-roll week, commencing with the pay-roll

week beginning on or immediately following May 1, 1923, 1½ per cent of the amount of such employee's wages received from the manufacturer, and (b) to authorize and direct the manufacturer to deduct such sums from the contributing employee's wages and forthwith pay the sums so deducted to the board of trustees on behalf of such contributing employees.

The manufacturer agrees to make the deductions so authorized and to pay over the sums so deducted to the board of trustees on behalf of such contributing employees and the manufacturer agrees to pay to the board of trustees an amount equal to each such payment so contributed by such employees as and when such contributions are made by the employees.

ART. II. All sums so received shall be held by the board of trustees in trust subject to all the terms and conditions of this agreement, and such sums and the income therefrom shall be held as a special trust fund, designated as the "Unemployment fund," hereinafter referred to as the "Fund."

ART. III. Each contributing employee shall receive unemployment benefits from the fund, as hereinafter and in Schedule A hereto annexed provided.

ART. IV. No right or interest of any contributing employee acquired by virtue hereof, can be assigned, transferred, alienated, hypothecated, or bartered away, directly or indirectly, or be subject to attachment, garnishment, execution, sequestration, seizure, or other process. The board of trustees may, however, pay any benefits to which a deceased contributing employee might have been entitled, to such person or persons as the board shall in its absolute discretion determine, and no heir, next of kin, legal representative, creditor, or claimant of any such decedent shall have any right or claim to any such benefits.

ART. V. Neither the manufacturer nor the union shall have any right, property, or interest in the fund. Nor shall the fund be subject to attachment, garnishment, execution, sequestration, seizure, or other process by reason of any claim on behalf of any person whatsoever against either the manufacturer or the union, or against any contributing employee.

ART. VI. The manufacturer and the union agree at all times during the continuance of this agreement to keep such records as may be necessary for the proper administration of the fund (which records shall, at all reasonable times, be available and open to the inspection of the board of trustees or its accredited representatives), and also to provide the board of trustees with such information and records as it may require for the proper performance of its duties, it being the intention hereof that there shall be as little duplication of work as possible and that the existing records of the manufacturer and the union will be used with a view of having said fund administered with the least possible expense to the fund, the manufacturer, and the union.

ART. VII. This agreement shall terminate on April 30, 1925, unless the same shall be renewed or extended prior to that time. If a new agreement is entered into, and any part of the fund shall then be undistributed, such fund shall be transferred by the board of trustees to such person or persons, or body, as under such new agreement shall be entitled thereto.

If no new agreement is entered into, then upon the termination of this agreement, by lapse of time, or in any other way, the payments herein provided to be made to the board of trustees shall cease, but the entire amount then remaining in the fund shall be distributed by the board of trustees as unemployment benefits to the persons who were contributing employees at the time of such termination in the manner provided herein, and subject to the terms and conditions hereof, to the extent that such terms and conditions are applicable within five years from the date of such termination of this agreement.

If the manufacturer shall, prior to April 30, 1925, cease to carry on business by dissolution, winding up or in any other way other than by sale, merger, or consolidation, and, as a result thereof, any of the contributing employees of the manufacturer shall be transferred to or employed by any other manufacturer who shall have entered into an agreement similar in character to this one, the same provisions, rules, and regulations shall be applicable as are effective in the event of the transfer of a contributing employee during the period of this agreement.

After making provision for such contributing employees out of said fund the remainder of said fund shall be distributed by the board of trustees by way of unemployment benefits among members of the union actually employed in the industry in Chicago, Ill., the manner in which such distributions shall be made and the time or times when they shall be made being left to the sole discretion and judgment of the board.

It is expressly agreed, however, that the entire amount of such fund shall be disposed of either by transferring the same to other unemployment funds created by agreement between the union and other manufacturers in Chicago, or by distribution as unemployment benefits among contributing employees in the industry in Chicago within five years from the date when such manufacturer ceases carrying on business.

A sale of the entire business of the manufacturer resulting in the continuance of the business under different ownership, or a merger or consolidation of the manufacturer with any other person, firm, or corporation, shall not be deemed a cessation of carrying on business by the manufacturer within the meaning hereof, but in such event the purchaser or the merged or consolidated business shall for all purposes of this agreement be substituted for the manufacturer.

The board of trustees shall not pay any part of the fund to any one other than the contributing employees, unless in case of cessation of business, as above provided for, and the maximum amount payable to any contributing employee shall never exceed the sum of \$100 in any one year, and at no time shall any distribution of any part of said fund be made which shall, directly or indirectly, aid, assist, or encourage the carrying on of any labor warfare or controversy, or for the purpose of relieving unemployment which directly or indirectly results from strikes or stoppages of work, or arises out of any conflict or warfare between employees and employers, or their representatives, nor shall any sums at any time be paid or distributed to any employees who at the time of such unemployment are engaged in or parties to any strike, stoppage of work or other form of labor warfare or controversy.

ART. VIII. If any law or ordinance is passed compelling the manufacturer to contribute to any Federal, State, or municipal unemployment fund with reference to any contributing employees hereunder, the contributions of the manufacturer hereunder shall be reduced by the amount which the manufacturer is compelled to contribute to such Federal, State, or municipal unemployment fund. If the contribution which the manufacturer is compelled to make to any such fund is equal to or greater than the contribution required of the manufacturer hereunder, then the obligation of the manufacturer to make contributions hereunder shall cease, and in such event the fund shall be disposed of in the same manner herein provided for disposition at the expiration of this agreement.

ART. IX. It is expressly understood and agreed that the fund shall never (except as hereinafter in this paragraph provided) be permitted to accumulate beyond an amount equal to the total maximum unemployment benefits which would be payable during a period of two years to all of the then contributing employees of the manufacturer. Whenever the fund reaches such maximum amount the obligation of the manufacturer and of the then contributing employers to make further payment shall be suspended, but such suspension shall not apply to such employees as have not contributed during the period of one full year. Payments to said fund shall only be revived when the fund is again reduced to an amount less than the total maximum benefits which would be payable during a period of one year to all of the then contributing employees of the manufacturer.

ART. X. All funds contributed by the contributing employees since May 1, 1923, and the corresponding amount contributed by the manufacturer or which should have been contributed by the manufacturer from May 1, 1923, to the date of the actual execution of this agreement shall immediately be turned over to the board of trustees.

ART. XI. Any questions which may arise out of the interpretation or performance of this agreement which involve, directly or indirectly, the interpretation or performance of the agreement between the parties with reference to wages and working conditions shall be determined solely by the instrumentality provided for by said agreement, and such determination shall be binding and conclusive upon the parties hereto, the board of trustees and the contributing employees. It is the intention hereof not to affect in any particular the jurisdiction, powers, rights or duties of the instrumentalities functioning under said agreement relating to wages and working conditions.

ART. XII. (a) The manufacturer and the union shall each appoint not exceeding three trustees (each to appoint an equal number), who shall hold office at the will of the appointing party. In addition to the trustees thus selected John R. Commons, of the University of Wisconsin, of Madison, Wis., is also hereby designated as a trustee and as chairman of the board of trustees. The number of trustees may be changed from time to time by the joint act of the manu-

manufacturer and the union, but there shall not at any time be less than three trustees, nor more than seven, and the number of trustees shall be at all times odd. The manufacturer and the union shall at all times each be represented on said board by their respective appointees, and each shall at all times have equal representation on said board. There shall always be a chairman of the board of trustees who shall be selected by the manufacturer and the union, and who shall not be removable except by the joint act of the manufacturer and the union. Any trustee may at any time resign from the trust hereby created by giving written notice of such resignation personally or by mail, addressed to the last known post-office address of the remaining trustees. Should any of the trustees designated by the manufacturer die, resign, become incapacitated or unable or unwilling to act or be removed, the vacancy so occurring shall be filled by the appointment of a successor to be named by the manufacturer. Should any of the trustees designated by the union die, resign, become incapacitated, or unwilling to act, or be removed, the vacancy so occurring shall be filled by the appointment of a successor to be named by the union. All trustees appointed to fill any vacancy hereunder shall be vested with all the rights, powers, and duties herein and hereby vested in their predecessors. Should the chairman of the board of trustees die, resign, be removed, become incapacitated, unable, unwilling, or fail for any reason to act, then the vacancy so occurring shall be filled by the appointment of a successor named by the manufacturer and the union, and if they are unable to agree upon such successor within a period of 30 days, such vacancy shall be filled by the appointment of a successor designated by Judge Julian W. Mack and/or Judge Samuel Alschuler.

Until the appointment of a successor chairman of the board to fill such vacancy, the remaining trustees shall exercise all of the powers and perform all of the duties of the board of trustees. The appointment of any trustee hereunder shall be in writing delivered to the remaining trustees, or their successors. If all of the trustees designated by the union or by the manufacturer, as the case may be, shall not be present at any meeting of the trustees, the trustee or trustees designated by the manufacturer or union, as the case may be, present at such meeting, shall be entitled to cast as many votes or the same number of votes as the trustees designated by the other party present at said meeting shall be entitled to cast, it being the intention hereof that at any meeting of the trustees, regardless of the number present, the trustees representing the manufacturer and the trustees representing the union shall have equal voting power.

(b) All questions that may arise or come before the trustees shall be determined by the affirmative vote in person or by proxy of a majority of the trustees. Such vote may be given in meeting assembled, or by a writing signed by the trustees, or by a majority of them, provided such writing is signed by one or more trustees designated by the union, and one or more trustees designated by the manufacturer, and such decision or act of a majority of the trustees shall be binding and conclusive upon the parties hereto, the board of trustees and the contributing employees. Any trustee may act by proxy. Any trustee may call a meeting of the board of trustees by giving at least five days' notice in writing of the time of holding of such meeting and having a copy thereof personally delivered to each trustee, or by mailing the same, postage prepaid, to the last known address of each trustee. Meetings of the board of trustees may be held at any time, without notice, if all of the trustees consent hereto.

(c) None of the trustees, other than the chairman of the board of trustees, shall be entitled to compensation hereunder. The compensation of such chairman shall be fixed by the manufacturer and the union and shall be paid out of the fund.

(d) The board of trustees shall have power to employ at such compensation as they may fix, agents, representatives, accountants, experts, and attorneys, and such other appropriate instrumentalities to assist it in the proper administration of the fund as to it shall seem advisable.

(e) The principal and interest of the fund, except such amounts as shall be required for current purposes, shall be invested by the board of trustees in direct obligations of the United States Government, and not otherwise. All moneys not so invested shall be deposited in substantially equal amounts in two or more clearinghouse banks located in the city of Chicago, or in banks which are members of the Federal reserve system.

(f) The board of trustees shall keep true and accurate books of account and records which shall be audited by certified public accountants at least twice in each year.

(g) Each of the trustees shall be protected in acting upon any notice, request, consent, instruction, certificate, affidavit, resolution, opinion, receipt,

application or other paper or document believed by him to be genuine, and to have been made, executed or delivered by the proper party or by the proper authority, or authorities, of the union or manufacturer, as the case may be, or by the party or parties purporting to have made, executed, or delivered the same, and shall be protected in relying and acting upon the opinion of legal counsel in connection with any matter pertaining to the carrying out of this agreement.

(h) Neither the trustees, nor any of their successors, shall be liable or responsible in respect to any action taken or omitted to be taken pursuant to any vote cast by the trustees, or any of them, or any proxy or proxies appointed hereunder, nor shall the trustees or any successor or successors, be liable for any loss occasioned by any act of commission or omission done or omitted to be done in good faith by them, or any of them, or of any proxy or proxies that may be appointed hereunder, nor for the acts of any agent, attorney, or employee selected with reasonable care by them, or any of them, nor shall any trustee be liable for any act of omission or commission of any other trustee, or of any proxy or proxies, that may be appointed hereunder.

(i) The board of trustees shall permit the duly accredited representatives of the manufacturer and the union, at all reasonable times during business hours to examine the books and records kept by it hereunder.

(j) The board of trustees shall have the power and authority to make reasonable rules and regulations, not inconsistent herewith, to carry out the provisions of this agreement, and shall have the right to make and adopt their own rules of procedure and action.

(k) The board of trustees shall be entitled to incur reasonable expenses for the purpose of carrying out the provisions of this agreement, which expenses shall be payable out of the fund.

ART. XIII. Whenever the trustees or board of trustees are referred to herein, it is intended that such term shall include the trustees or board of trustees for the time being in office. This agreement and the terms and conditions of the trust hereby established may be modified at any time by the board of trustees, upon its obtaining the written consent of both the union and the manufacturer.

ART. XIV. This agreement may be extended or renewed by the joint written consent of the manufacturer and the union.

ART. XV. The trustees designated by the manufacturer and the union and the chairman of the board of trustees, from time to time designated hereunder, shall evidence their acceptance of the trusts hereby created by executing this agreement, or a duplicate thereof, and by such execution shall agree that they will in good faith and in all respects exercise the powers granted to them hereunder.

In witness whereof the parties have caused this instrument to be duly executed the date first above written.

HART SCHAFFNER & MARX.

AMALGAMATED CLOTHING WORKERS OF AMERICA.

#### SCHEDULE A

#### TERMS AND CONDITIONS UNDER WHICH A CONTRIBUTING EMPLOYEE MAY RECEIVE BENEFITS FROM THE UNEMPLOYMENT FUND

(1) The contributing employee must have made contributions regularly during his employment; in addition, he must have been a member of the union in good standing since May 1, 1923, up to and including the date when he shall apply for benefits, or, if he were not a member of the union on May 1, 1923, then he shall be eligible for benefits after one year from the date of his first contribution.

(2) In no case shall a contributing employee receive more than an amount equal to five full weekly benefits in a single year; always provided, however, that there shall be no benefit payment made hereunder unless there are moneys in the fund available for the purpose.

(3) It is agreed that benefits shall be paid only for such involuntary unemployment as results from lack of work, and that no benefit shall be paid to an employee who voluntarily leaves his employment or to an employee who is discharged for cause or who declines to accept suitable employment.

(4) It is agreed that no benefits shall be paid or distributed for unemployment that directly or indirectly results from strikes or stoppages or any cessation of work in violation of the trade agreement now in force between the

manufacturer and the union; nor shall any benefits at any time be paid or distributed to employees who at the time are engaged in strikes or stoppages or who have ceased work in violation of said trade agreement.

(5) A contributing employee who has voluntarily interrupted the regularity of the payment of his contributions shall not receive benefit out of the fund in excess of one full weekly benefit for every ten full weekly contributions in a single year.

(6) In complete unemployment the contributing employee shall promptly register with the employment exchange, and such unemployment shall be deemed to begin on the date of such registration.

(7) Contributing employees who are entitled to unemployment benefits under this agreement, and the rules and regulations adopted by the board of trustees in pursuance hereof, shall receive out of the Fund unemployment benefits at the rate of 40 per cent of the average full-time weekly wages of said contributing employee, but in no case in excess of \$20 for each full week of unemployment.

(8) The payments of benefits from the fund established hereunder shall begin no earlier than January 1, 1924, nor later than May 1, 1924. The date on which such payments shall begin shall be determined by the board of trustees, and benefits hereunder shall be payable only for unemployment occurring subsequent to said date.

(9) An advisory committee, composed of representatives of the parties hereto, with the aid if desired of an outside expert to be selected by them jointly, shall submit to the board of trustees not later than October 15, 1923, or from time to time thereafter if requested by said board, recommendations for rules and specifications concerning records required to be kept by the manufacturer, the union, and the trustees, in order to insure the efficient and economical administration of the fund.

Said committee shall also submit recommendations before said date (and from time to time thereafter if requested by the board) to the board of trustees for rules and regulations relating to the transfer of contributing employees from one manufacturer to another, the return to employment of contributing employees temporarily withdrawing from the industry, the proper basis of calculating benefits in the case of short time employment, the proper reduction of unemployment or short time employment because of overtime employment of contributing employees, the proper limitation to be placed upon the amount of weekly benefits to be received by any contributing employee during any one season of unemployment, a proper waiting period between the beginning of unemployment in any one season and the accrual of weekly benefits hereunder, and other matters of like character upon which the board desires recommendations.

It is understood and agreed that the board of trustees shall have power to make rules and regulations not inconsistent with the terms of this agreement on the matters aforesaid, but shall only do so after proper investigation and examination of the recommendations submitted by the aforesaid advisory committee, it being the intention hereof that before making said rules and regulations the parties hereto shall have had full and ample opportunity to make necessary investigations and present to the board the conclusions and suggestions resulting therefrom.

In the event, however, that said advisory committee does not make its report on or prior to October 15, 1923, said board of trustees shall have the power, if it deems advisable, to request a report on any one or more of the aforesaid matters by the committee, or separate reports by the representatives of either party on said committee, by a day certain; and in the event that said reports and recommendations are not forthcoming may proceed to make on its own behalf any investigations that it deems proper and formulate any rules and regulations it deems advisable under the circumstances.

#### EXHIBIT 2

##### UNEMPLOYMENT INSURANCE FUND AGREEMENT (1928)

Memorandum of agreement, made this \_\_\_\_\_ day of \_\_\_\_\_, 1928, by and between \_\_\_\_\_ (hereinafter called the manufacturer), party of the first part, and the Amalgamated Clothing Workers of America (hereinafter called the union), party of the second part;

Witnesseth:

Whereas an agreement has heretofore been entered into between the manufacturer and the union with reference to wages and working conditions; and

similar agreements have been entered into between the union and certain other clothing manufacturers in Chicago; and

Whereas it is contemplated that agreements similar to this one will be entered into between the union and other clothing manufacturers in Chicago; and the parties hereto are desirous of mitigating the effects of unemployment,

Now, therefore, in consideration of the premises and of the mutual covenants herein contained, it is agreed by and between the parties hereto as follows:

ARTICLE I. The union agrees to use its best efforts to cause each of its members employed by the manufacturer (a) to pay to the board of trustees, hereinafter constituted, for each pay-roll week, commencing with the pay-roll week beginning on or immediately following May 1, 1928, 1½ per cent of the amount of such employee's wages received from the manufacturer, and (b) to authorize and direct the manufacturer to deduct such sums from the contributing employee's wages and forthwith pay the sums so deducted to the board of trustees on behalf of such contributing employees.

The manufacturer agrees to make the deductions so authorized and to pay over the sums so deducted to the board of trustees on behalf of such contributing employees and the manufacturer agrees to pay to the board of trustees 3 per cent of the amount of such employees' wages as and when the contributions are made by the employees.

ART. II. All sums so received shall be held by the board of trustees in trust subject to all the terms and conditions of this agreement, and such sums and the income therefrom shall be held as a special trust fund, designated as the "unemployment fund," hereinafter referred to as the "fund."

ART. III. Each contributing employee shall receive unemployment benefits from the fund, as hereinafter and in Schedule A hereto annexed provided.

ART. IV. No right or interest of any contributing employee acquired by virtue hereof, can be assigned, transferred, alienated, hypothecated, or bartered away, directly or indirectly, or be subject to attachment, garnishment, execution, sequestration, seizure, or other process. The board of trustees may, however, pay any benefits to which a deceased contributing employee might have been entitled, to such person or persons as the board shall in its absolute discretion determine, and no heir, next of kin, legal representative, creditor, or claimant of any such decedent shall have any right or claim to any such benefits.

ART. V. Neither the manufacturer nor the union shall have any right, property, or interest in the fund. Nor shall the fund be subject to attachment, garnishment, execution, sequestration, seizure, or other process by reason of any claim on behalf of any person whatsoever against either the manufacturer or the union, or against any contributing employee.

ART. VI. The manufacturer and the union agree at all times, during the continuance of this agreement, to keep such records as may be necessary for the proper administration of the fund (which records shall at all reasonable times be available and open to the inspection of the board of trustees or its accredited representatives), and also to provide the board of trustees with such information and records as it may require for the proper performance of its duties; it being the intention hereof that there shall be as little duplication of work as possible and that the existing records of the manufacturer and the union will be used with a view of having said fund administered with the least possible expense to the fund, the manufacturer, and the union.

ART. VII. This agreement shall terminate on April 30, 1931, unless the same shall be renewed or extended prior to that time. If a new agreement is entered into and any part of the fund shall then be undistributed, such fund shall be transferred by the board of trustees to such person or persons, or body, as under such new agreement shall be entitled thereto.

If no new agreement is entered into, then, upon the termination of this agreement, by lapse of time, or in any other way, the payments herein provided to be made to the board of trustees shall cease, but the entire amount then remaining in the fund shall be distributed by the board of trustees as unemployment benefits to the persons who were contributing employees at the time of such termination in the manner provided herein, and subject to the terms and conditions hereof, to the extent that such terms and conditions are applicable, within five years from the date of such termination of this agreement.

If the manufacturer shall, prior to April 30, 1931, cease to carry on business by dissolution, winding up or in any other way other than by sale, merger, or consolidation, and as a result thereof any of the contributing employees of the manufacturer shall be transferred to or employed by any other manufacturer

who shall have entered into an agreement similar in character to this one, the same provisions, rules, and regulations shall be applicable as are effective in the event of the transfer of a contributing employee during the period of this agreement.

After making provision for such contributing employees out of said fund, the remainder of said fund shall be distributed by the board of trustees by way of unemployment benefits among members of the union actually employed in the industry in Chicago, Ill., the manner in which such distribution shall be made and the time or times when they shall be made being left to the sole discretion and judgment of the board.

It is expressly agreed, however, that the entire amount of such fund shall be disposed of either by transferring the same to other unemployment funds created by agreement between the union and other manufacturers in Chicago, or by distribution as unemployment benefits among contributing employees in the industry in Chicago, within five years from the date when such manufacturer ceases carrying on business.

A sale of the entire business of the manufacturer resulting in the continuance of the business under different ownership, or a merger or consolidation of the manufacturer with any other person, firm, or corporation, shall not be deemed a cessation of carrying on business by the manufacturer within the meaning hereof, but in such event the purchaser, or the merged or consolidated business, shall for all purposes of this agreement be substituted for the manufacturer.

The board of trustees shall not pay any part of the fund to any one other than the contributing employees, unless in case of cessation of business, as above provided for, and at no time shall any distribution of any part of said fund be made which shall, directly or indirectly, aid, assist, or encourage the carrying on of any labor warfare or controversy, or for the purpose of relieving unemployment which directly or indirectly results from strikes or stoppages of work, or arises out of any conflict or warfare between employees and employers, or their representatives, nor shall any sums at any time be paid or distributed to any employees who at the time of such unemployment are engaged in or parties to any strike, stoppage of work, or other form of labor warfare or controversy.

ART. VIII. If any law or ordinance is passed compelling the manufacturer to contribute to any Federal, State, or municipal unemployment fund with reference to any contributing employees hereunder, the contributions of the manufacturer hereunder shall be reduced by the amount which the manufacturer is compelled to contribute to such Federal, State, or municipal unemployment fund. If the contribution which the manufacturer is compelled to make to any such fund is equal to or greater than the contribution required of the manufacturer hereunder, then the obligation of the manufacturer to make contributions hereunder shall cease, and in such event the fund shall be disposed of in the same manner herein provided for disposition at the expiration of this agreement.

ART. IX. It is expressly understood and agreed that the fund shall never (except as hereinafter in this paragraph provided) be permitted to accumulate beyond an amount equal to the total maximum unemployment benefits which would be payable during a period of two years to all of the then contributing employees of the manufacturer. Whenever the fund reaches such maximum amount the obligation of the manufacturer and of the then contributing employees to make further payments shall be suspended, but such suspension shall not apply to such employees as have not contributed during the period of one full year. Payments to said fund shall only be revived when the fund is again reduced to an amount less than the total maximum benefits which would be payable during a period of one year to all of the then contributing employees of the manufacturer.

ART. X. All funds contributed by the contributing employees since May 1, 1928, and the amount contributed by the manufacturer or which should have been contributed by the manufacturer from May 1, 1928, to the date of the actual execution of this agreement shall immediately be turned over to the board of trustees.

ART. XI. Any questions which may arise out of the interpretation or performance of this agreement which involve, directly or indirectly, the interpretation or performance of the agreement between the parties with reference to wages and working conditions shall be determined solely by the instrumentalities pro-

vided for by said agreement, and such determination shall be binding and conclusive upon the parties hereto, the board of trustees and the contributing employees. It is the intention hereof not to affect in any particular the jurisdiction, powers, rights, or duties of the instrumentalities functioning under said agreement relating to wages and working conditions.

ART. XII. (a) The manufacturer and the union shall each appoint not exceeding three trustees (each to appoint an equal number), who shall hold office at the will of the appointing party. In addition to the trustees thus selected, Benjamin M. Squires is also hereby designated as a trustee and as chairman of the board of trustees. The number of trustees may be changed from time to time by the joint act of the manufacturer and the union, but there shall not at any time be less than three trustees, nor more than seven, and the number of trustees shall be at all times odd. The manufacturer and the union shall at all times each be represented on said board by their respective appointees, and each shall at all times have equal representation on said board. There shall always be a chairman of the board of trustees who shall be selected by the manufacturer and the union, and who shall not be removable except by the joint act of the manufacturer and the union. Any trustee may at any time resign from the trust hereby created by giving written notice of such resignation personally or by mail, addressed to the last known post-office address of the remaining trustees. Should any of the trustees designated by the manufacturer die, resign, become incapacitated or unable or unwilling to act, or be removed, the vacancy so occurring shall be filled by the appointment of a successor to be named by the manufacturer. Should any of the trustees designated by the Union, die, resign, become incapacitated or unwilling to act, or be removed, the vacancy so occurring shall be filled by the appointment of a successor to be named by the union. All trustees appointed to fill any vacancy hereunder shall be vested with all the rights, powers, and duties herein and hereby vested in their predecessors. Should the chairman of the board of trustees die, resign, be removed, become incapacitated, unable, unwilling, or fail for any reason to act, then the vacancy so occurring shall be filled by the appointment of a successor named by the manufacturer and the Union, and if they are unable to agree upon such successor within a period of 30 days, such vacancy shall be filled by the appointment of a successor designated by Judge Julian W. Mack and/or Judge Samuel Alschuler. Until the appointment of a successor chairman of the board to fill such vacancy, the remaining trustees shall exercise all of the powers and perform all of the duties of the board of trustees. The appointment of any trustee hereunder shall be in writing delivered to the remaining trustees, or their successors. If all of the trustees designated by the union or by the manufacturer, as the case may be, shall not be present at any meeting of the trustees, the trustee or trustees designated by the manufacturer or the union as the case may be, present at such meeting, shall be entitled to cast as many votes or the same number of votes as the trustees designated by the other party present at said meeting shall be entitled to cast, it being the intention hereof that at any meeting of the trustees, regardless of the number present, the trustees representing the manufacturer and the trustees representing the union shall have equal voting power.

(b) All questions that may arise or come before the trustees shall be determined by the affirmative vote in person or by proxy of a majority of the trustees. Such vote may be given in meeting assembled, or by a writing signed by the trustees, or by a majority of them, provided such writing is signed by one or more trustees designated by the union, and one or more trustees designated by the manufacturer, and such decision or act of a majority of the trustees shall be binding and conclusive upon the parties hereto, the board of trustees, and the contributing employees. Any trustee may act by proxy. Any trustee may call a meeting of the board of trustees by giving at least five days' notice in writing of the time of holding of such meeting and having a copy thereof personally delivered to each trustee, or by mailing the same, postage prepaid, to the last known address of each trustee. Meetings of the board of trustees may be held at any time, without notice, if all of the trustees consent thereto.

(c) None of the trustees, other than the chairman of the board of trustees, shall be entitled to compensation hereunder. The compensation of such chairman shall be fixed by the manufacturer and the union, and shall be paid out of the fund.

(d) The board of trustees shall have power to employ at such compensation as they may fix, agents, representatives, accountants, experts, and attorneys, and such other appropriate instrumentalities to assist it in the proper administration of the fund as to it shall seem advisable.

(e) The principal and interest of the fund, except such amounts as shall be required for current purposes, shall be invested by the board of trustees in direct obligations of the United States Government, provided, however, that the board of trustees by unanimous vote may invest the funds in securities legal for trust companies in the State of Illinois. All moneys not so invested shall be deposited in substantially equal amounts in two or more clearing-house banks located in the city of Chicago, or in banks which are members of the Federal Reserve System.

(f) The Board of trustees shall keep true and accurate books of account and records which shall be audited by certified public accountants at least twice in each year.

(g) Each of the trustees shall be protected in acting upon any notice, request, consent, instruction, certificate, affidavit, resolution, opinion, receipt, application, or other paper or document believed by him to be genuine, and to have been made, executed, or delivered by the proper party or by the proper authority, or authorities, of the union or manufacturer, as the case may be, or by the party or parties purporting to have made, executed, or delivered the same, and shall be protected in relying and acting upon the opinion of legal counsel in connection with any matter pertaining to the carrying out of this agreement.

(h) Neither the trustees, nor any of their successors, shall be liable or responsible in respect to any action taken or omitted to be taken pursuant to any vote cast by the trustees, or any of them, or any proxy or proxies appointed hereunder, nor shall the trustees or any successor or successors, be liable for any loss occasioned by any act of commission or omission done or omitted to be done in good faith by them, or any of them, or of any proxy or proxies that may be appointed hereunder, nor for the acts of any agent, attorney, or employee selected with reasonable care by them, or any of them, nor shall any trustee be liable for any act of omission or commission of any other trustee, or of any proxy or proxies, that may be appointed hereunder.

(i) The board of trustees shall permit the duly accredited representatives of the manufacturer and the union at all reasonable times during business hours to examine the books and records kept by it hereunder.

(j) The board of trustees shall have the power and authority to make reasonable rules and regulations, not inconsistent herewith, to carry out the provisions of this agreement, and shall have the right to make and adopt their own rules of procedure and action.

(k) The board of trustees shall be entitled to incur reasonable expenses for the purpose of carrying out the provisions of this agreement, which expenses shall be payable out of the fund.

ART. XIII. Whenever the trustees or board of trustees are referred to herein, it is intended that such term shall include the trustees or board of trustees for the time being in office. This agreement and the terms and conditions of the trust hereby established may be modified at any time by the board of trustees, upon its obtaining the written consent of both the union and the manufacturer.

ART. XIV. This agreement may be extended or renewed by the joint written consent of the manufacturer and the union.

ART. XV. The trustees designated by the manufacturer and the union and the chairman of the board of trustees, from time to time designated hereunder, shall evidence their acceptance of the trusts hereby created by executing this agreement, or a duplicate thereof, and by such execution shall agree that they will in good faith and in all respects exercise the powers granted to them hereunder.

ART. XVI. The trustees representing the respective parties on April 30, 1928, shall be, and they are hereby continued as such trustees, subject to the terms of this agreement.

In witness whereof the parties have caused this instrument to be duly executed the date first above written.

(Firm) \_\_\_\_\_  
By \_\_\_\_\_  
AMALGAMATED CLOTHING WORKERS OF AMERICA,  
By \_\_\_\_\_

## SCHEDULE A

## TERMS AND CONDITIONS UNDER WHICH A CONTRIBUTING EMPLOYEE MAY RECEIVE BENEFITS FROM THE UNEMPLOYMENT FUND

(1) The contributing employee must have made contributions regularly during his employment; in addition, he must have been a member of the union in good standing since November 1, 1927, up to and including the date when he shall apply for benefits; or, if he were not a member of the union on November 1, 1927, then he shall be eligible for benefits after one year from the date of his first contribution.

(2) In no case shall a contributing employee receive more than an amount equal to seven and one-half full weekly benefits in a single year; always provided, however, that there shall be no benefit payment made hereunder unless there are moneys in the fund available for the purpose; and provided further that benefits less than seven and one-half weeks not paid either through lack of funds or through action by the board shall be cumulated and payable even though these payments may raise the number of weeks of benefit in certain years in excess of seven and one-half weeks.

(3) It is agreed that benefits shall be paid only for such involuntary unemployment as results from lack of work, and that no benefit shall be paid to an employee who voluntarily leaves his employment or to an employee who is discharged for cause or who declines to accept suitable employment.

(4) It is agreed that no benefits shall be paid or distributed for unemployment that directly or indirectly results from strikes or stoppages or any cessation of work in violation of the trade agreement now in force between the manufacturer and the union; nor shall any benefits at any time be paid or distributed to employees who at the time are engaged in strikes or stoppages or who have ceased work in violation of said trade agreement.

(5) A contributing employee who has voluntarily interrupted the regularity of the payment of his contributions shall not receive benefit out of the fund in excess of one full weekly benefit for every 10 full weekly contributions in a single year.

(6) In complete unemployment the contributing employee shall promptly register with the employment exchange, and such unemployment shall be deemed to begin on the date of such registration.

(7) Contributing employees who are entitled to unemployment benefits under this agreement, and the rules and regulations adopted by the board of trustees in pursuance hereof, shall receive out of the fund unemployment benefits not in excess of 40 per cent of the average full-time weekly wages of said contributing employee, and in no case in excess of \$20 for each full week of unemployment.

(8) An advisory committee, composed of representatives of the parties hereto, with the aid if desired of an outside expert to be selected by them jointly, shall submit to the board of trustees from time to time if requested by said board, recommendations for rules and specifications concerning records required to be kept by the manufacturer, the union, and the trustees, in order to insure the efficient and economical administration of the fund.

Said committee shall also submit to the board of trustees from time to time, if requested by the board, recommendations as to rules and regulations relating to the transfer of contributing employees from one manufacturer to another, the return to employment of contributing employees temporarily withdrawing from the industry, the proper basis of calculating benefits in the case of short-time employment, the proper reduction of unemployment or short-time employment because of overtime employment of contributing employees, the proper limitation to be placed upon the amount of weekly benefits to be received by any contributing employee during any one season of unemployment, a proper waiting period between the beginning of unemployment in any one season and the accrual of weekly benefits hereunder, and other matters of like character upon which the board desires recommendations.

It is understood and agreed that the board of trustees shall have power to make rules and regulations not inconsistent with the terms of this agreement on the matters aforesaid, but shall only do so after proper investigation and examination of the recommendations submitted by the aforesaid advisory committee, it being the intention hereof that before making said rules and regulations the parties hereto shall have had full and ample opportunity

to make necessary investigations and present to the board the conclusions and suggestions resulting therefrom.

The board of trustees shall have the power, if it deems advisable, to request a report on any one or more of the aforesaid matters by the committee, or separate reports by the representatives of either party on said committee, by a day certain; and in the event that said reports and recommendations are not forthcoming, may proceed to make on its own behalf any investigations that it deems proper and formulate any rules and regulations it deems advisable under the circumstances.

## EXHIBIT 3

STATEMENT OF DR. BENJAMIN M. SQUIRES TO THE COMMITTEE ON EDUCATION AND LABOR OF THE UNITED STATES SENATE CONCERNING CERTAIN PROBLEMS OF UNEMPLOYMENT, MADE IN RESPONSE TO THE REQUEST OF THE CHAIRMAN OF THE COMMITTEE

JANUARY 26, 1929.

A joint contributory plan of unemployment insurance has been in effect in the men's clothing industry of Chicago since May, 1923. Similar plans were introduced in the same industry in the city of Rochester and in the city of New York during the year 1928, but this statement will be limited to the plan and its operation in the Chicago clothing market.

Provisions for the collection of contributions, the appointment of trustees, payment of benefits, and the administration of the plan generally are set forth in the agreement, copy of which is inclosed, and need not be repeated in detail.

At the outset, the plan called for contributions by employers and workers of  $1\frac{1}{2}$  per cent of the total wages. In 1928 the contribution of the employers was increased to 3 per cent, making a total contribution of  $4\frac{1}{2}$  per cent. Benefits were limited by the first agreement to 40 per cent of the wages for a period not to exceed five weeks per year. Under the present agreement, the number of weeks per year is increased to  $7\frac{1}{2}$ , with provision for the cumulation of unpaid benefits from year to year. From time to time the rules governing the payment of benefits have been changed to safeguard the funds. At present, the weekly benefit is 30 per cent of the wages. For the most part, the plan operates on a house fund basis; that is, contributions in the case of any particular firm may be used only for the payment of benefits to workers employed by the firm. The funds are administered by trustees representing the employers, trustees representing the workers, and one neutral trustee as chairman.

At the present time, about 20,000 workers come under the insurance scheme. Contributions to date total \$5,059,428.23. Benefits paid to date total \$4,034,863.83. Expenses of administration amount to \$334,872.25. The balance available for the payment of benefits is \$663,042.88.

I am not prepared to state that the scheme has accomplished much in the way of regularizing employment. It has resulted in the accumulation of exact data as to employment and unemployment; it has made for more intelligent thinking about unemployment; it has probably made for a better distribution of labor as between busy and slack seasons. It is safe to say that it has been a factor in helping to regularize employment, but there are other more important factors. For example, the saving in overhead, which would result from a fuller use of plant and equipment, is a much larger item than the unemployment insurance premium. On the other hand, the employer has probably been made more aware of the cost of slack periods by having a better knowledge of time lost in unemployment.

BENJAMIN M. SQUIRES.

## EXHIBIT 4

CHICAGO, January 22, 1929.

MY DEAR SENATOR: I am very glad to comply with your letter of January 26 asking for information concerning unemployment in the clothing industry in Chicago and in Hart, Schaffner & Marx.

In the first place it is necessary to realize that in all our clothing plants we have agreements with the Amalgamated Clothing Workers of America that no worker may be discharged except for some delinquency. This means that there can be no reduction of the labor force to correspond to the slackness of business.

Whenever there is not enough work to keep all employed, the work that is available is divided equally among all the workers in each particular group.

Under these circumstances the amount of unemployment varies directly with the sales of clothing. Since 1925 this company has made special effort to devise lines of clothing which could be made up before selling. The ordinary method is not to manufacture clothing unless orders are in hand. With the introduction of cheaper lines made in fewer models and fabrics we have been able within the last three years to provide considerable work in the two slack periods of the year when otherwise we would be waiting for orders to be taken. This change of policy had very much more to do with the reduction of unemployment than any other device, particularly the unemployment funds.

The first effects of the effort to introduce cheaper lines was a marked reduction in the amount of work required on each suit, particularly as to cutting. This created such a severe condition of unemployment among the cutters that it was finally necessary to pay a dismissal wage to 150 cutters in order to provide for abundant employment for those remaining. Since that time the amount of lay-off per cutter per year has been about five or six weeks. All the rest of the year each cutter works full time.

At the present time the amount of employment we give to our people as a general average for all tailoring is an equivalent of a full 38-week year. This means that the amount of slackness divided equally among the workers amount in the year to an equivalent of 14 weeks in the tailor shop.

On account of the aforesaid policies and efforts to increase production, any effect which might have been produced by the unemployment-insurance scheme has been entirely overshadowed, and, therefore, it is impossible to say just what effect it might have had on regularization. The fact that the company was obligated to contribute  $1\frac{1}{2}$  per cent of the total pay roll into an unemployment fund was a factor of very little consequence in determining the manufacturing and selling policy of the company, which had no effect upon the policy of employing new labor, inasmuch as that factor is entirely determined by our labor agreement.

The unemployment fund has had very little effect upon the efficiency of the workers because that is thoroughly well taken care of by our labor agreement itself. The efficiency of our labor is directly due to the wage policy, the efficiency of management, and the manager to hire, wage policy which prevents turnover, and the cooperation of the union. I have no means of estimating any effect upon morality.

The effect of the unemployment fund, I believe, is to materially increase the satisfaction which the worker gets from his wages. It provides a reservoir from which he can draw at any time when the value of the dollar is at its maximum to him. This enables the average worker to regularize his standard of living, and does not force him to make extreme changes in his mode of life during slack times. This undoubtedly leads to greater satisfaction with our labor system generally and makes him more loyal to his union, and, therefore, more amenable to his discipline which is greatly to the advantage of the employer.

For these reasons I believe that such a system is sure to be advantageous to any industry in which better industrial relations are needed. Our experience has shown us that anything which gives the employee greater security in income has manifold effects in all directions which are to the greatest benefit to the employer.

If there is any further information I can furnish your committee please consider me at your disposal.

Sincerely yours,

EARL DEAN HOWARD.

HON. JAMES COUZENS,  
United States Senate, Washington, D. C.

## EXHIBIT 5

## HUBER UNEMPLOYMENT PREVENTION BILL

(Allen B. Forsberg, secretary of the Wisconsin Unemployment Prevention Association, Madison, Wis.)

Many employers have prevented unemployment by the use of scientific production and sales methods. The Huber unemployment prevention bill is

based on their example, and makes an inducement to all employers to adopt similar methods, and thus keep their labor force working steadily.

This bill is like the Wisconsin compensation act which puts a premium upon good management in reducing accidents. This bill would make it profitable for employers themselves to arrange their work so that avoidable lay offs will be prevented.

The experience of many countries was studied in drafting this bill. Several administrative features are taken from the 1912 and 1920 unemployment insurance laws of Great Britain, which affects 8,000,000 work people. Similar measures of Denmark, France, Italy, and Switzerland have been consulted.

Most industrial States are fortunate in that they already possess all the necessary commissions, boards, State officers, and employment offices needed for the administration of this act.

#### MAIN FEATURES OF BILL

Scope of act: (Section 2394-101) Applies to all employees of every corporation and of employers not incorporated who employ three or more persons.

Exemptions: (1) Farmers, canneries, State, cities, towns, villages, townships, school districts, private employers of less than three persons, and employees of each. (2) Persons dependent on others for their livelihood. (3) Those receiving pensions of \$500 or more annually.

Requirements: (Sections 2394-102 and 2394-103) Industry shall compensate each workman temporarily while unemployed provided he (1) has worked six months for one or more employers, and (2) is capable and available but unable to obtain suitable employment. He is not required to work where there is a strike or lockout, or where less than the prevailing wage is paid.

Regulation of payments: (1) During the first three years no more than six weeks of unemployment compensation shall be paid unemployed workmen in any calendar year. The industrial commission may reduce this limit to maintain solvency of the fund. After the third year the limit shall be increased to 13 weeks.

(2) Not more than one week's unemployment compensation shall be paid for every four weeks the unemployed person has worked for employers.

(3) No employee can legally waive his right to unemployment compensation payments, nor shall they be assignable or subject to attachments for employees' debts.

(4) No unemployment compensation shall be paid persons unemployed due to:

- (a) Voluntary leaving work;
- (b) Dismissal for reasonable cause;
- (c) Strike or lockout;
- (d) Confinement as inmate in State institutions, etc.

Rate of unemployment compensation: (Section 2394-104.) One dollar for each work day for male and females over 18 years; 50 cents for those 16 to 18 years is paid qualified persons unemployed. Provision is made for payment of transportation to obtain work outside the district. An additional 10 per cent is paid into the State treasury to cover additional costs for administering this act.

Employers' Mutual Employment Insurance Co.: (Section 2394-105.) The employers of the State will organize, to administer a reserve fund which will be accumulated during prosperous times, to tide over dull times. Each employer will pay a small premium periodically into this fund. The amount of each employer's quota will depend upon how regular he keeps his labor working. The employer who hires and fires the most will pay higher rates. Employers who keep their men working steadily will pay less. Thus there will be a continuous incentive for employers to arrange their work so as to keep their men working steadily.

The experts of the Employers' Mutual Employment Insurance Co. will make extended studies into the causes of unemployment and will help each individual employer solve his own problems. This employers' mutual fund is controlled solely by employers themselves. The State does not interfere any more than with other insurance companies.

The industrial commission, upon application, may exempt certain employers from membership in this company.

Unemployment advisory board: (Section 2394-106.) To facilitate harmonious administration of the act, a State advisory board, consisting of an equal number of members to represent both employer and employees, selected by industrial

commission from lists submitted by both parties for that purpose. One member at large shall act as a chairman. The board shall serve without pay; shall meet at the call of the commission to aid in general administration of the act. Similar boards may be formed to serve in localities.

Claims and procedures: All claims shall be first considered by a deputy of the industrial commission, who shall decide claims within one day; whereupon an order on the employer may be issued for the amount of unemployment compensation due him.

Unless contested, the unemployment compensation will then be paid from the fund of the employers' mutual.

Contested cases: In any case where the claim is disputed, it shall be referred to the industrial commission and a still further appeal is provided to the circuit court, the court action to be defended by the industrial commission.

Penalties: (Section 2391-109.) Employees who endeavor to falsely secure payments, or employers who attempt to avoid payment through misrepresentation, may be punished by prison sentence, or fine, or both, at discretion of court.

#### EXHIBIT 6

#### UNEMPLOYMENT COMPENSATION AND PREVENTION

(By John R. Commons)

[Reprinted from the October 1, 1921, issue of the Survey, 112 East Nineteenth Street, New York]

The credit problem is our biggest labor problem, because it lies at the bottom of the question of unemployment, and that question is the point of bitterest contact between capital and labor to-day. One might even say that socialism and trade unionism are both founded on the fear of unemployment.

It is with this conviction that leaders of opinion in Wisconsin, the State which so often has been the pioneer in industrial legislation, have devoted much thought to the problem of unemployment prevention. The result of this, in tangible form, has been the so-called Huber unemployment prevention bill, which was before the legislature last winter and the enactment of which will again be urged during the coming session.

The three main causes of unemployment are the labor turnover, the seasons, and the credit system. The labor turnover as a cause of unemployment is not a serious matter. Rather is it a good feature of modern liberty. Liberty means labor turnover; it means that the worker can quit one job and go to another; it means that the employer who is dissatisfied with the inefficiency or misconduct of the employee can dismiss him and he can look for a job for which he is better fitted. Consequently, in the Huber bill for the insurance and prevention of unemployment before the recent Wisconsin Legislature, it is provided that the first three days of unemployment shall not be considered unemployment. The bill places the date of the beginning of unemployment compensation the fourth day after the workman is laid off. Labor turnover can be accommodated on about three days' time for hunting a job if employment is steady.

The question of labor turnover may not be considered a serious feature of the unemployment problem. It has other evils, however. It is expensive to the employer. Better for him is a steady force of good and willing workers, who feel that his industry is a place where they want to stay for life. Yet there are establishments that go on the other basis. They consider it is better for them to have a procession of floaters than it is to have steady workers. This is a matter of choice, largely, with the management.

The summer and winter seasons are not the most serious problem of unemployment. They are a cycle which comes regularly every year. Certain industries have a busy period in the summers; others in the winter. Consequently, with a regularly recurring cycle, both the firms and the workmen learn to adjust themselves. In some cases the adjustment is made by hiring men by the year on a salary basis; in other cases by dovetailing industries, such as the coal and ice business. If that is not accomplished, then there remains the alternative: Pay the worker higher wages during the busy season, so that he can tide himself over until the following busy season, which can be calculated upon. The leading example is in the building trades in northern sections. The

building workmen receive high wages, say, a dollar an hour, but as they work only about eight months a year, that dollar an hour is equivalent to only about 65 cents an hour through the year. The building-trade mechanic ordinarily does not have any other occupation that he can dovetail, so that in the busy season we pay him a dollar an hour, 65 cents of which is wages and 35 cents of which is a kind of insurance, in order that he may be on hand the next season, when we want to open up business. Yet there are large building contractors who are learning how to spread their work over the year.

Where the industry does not equalize itself, the employer must make some special arrangement in order to keep labor steadily employed throughout the year. One of the illustrious examples in this country is the Dennison Manufacturing Co., of Framingham, Mass. This company started as manufacturers of Christmas trinkets. Their busy season began in September, when the retailers ordered their goods, and ended with about three or four months of intense crowding and overwork. Then they adopted a definite purpose of stabilizing their business. They did it by various devices, well known to manufacturers at the present time. They coordinated their sales department with their production department and it became the business of their salesmen to induce the retailers to order in advance so that the manufacturing could come along throughout the year instead of being concentrated in one season. Now they begin manufacturing Christmas cards 15 months before they are actually sold to the ultimate consumer. They introduced many other products to which their employees could be transferred, and they trained their workers so that they might change from one occupation to another or something nearly like it. Now they manufacture several thousand different articles, and for several years they have had no unemployment. They have stabilized their industry by dovetailing and spreading out. It has required ingenuity, good management, and good salesmanship, but it has been accomplished.

Modern business can stabilize seasonal employment if it is deemed worth while, and can even stabilize the credit cycle. Mr. Redfield, former Secretary of Commerce, has cited his own case, in the metal industries, where since the year 1890 they had not laid off a man on account of lack of work. In the hard times of 1893 to 1897 it was skating on thin ice, and they had great difficulties but they succeeded. It was accomplished through division of labor on the part of the management. It was the business of the sales department to adapt itself to the work of the production department.

This idea is well recognized. The sales department must be subject to the production department, so that rush orders are not taken on that can not be delivered except by an overexpansion of the business with a certainty that men must be laid off after the rush orders have been finished. The cycle of unemployment is the cycle of rush orders. When credit is good and prosperity is around, people will not wait. The business man thinks then that he must expand his factory; he must take on more laborers, he must get out his orders quickly or somebody else is going to get those orders. A great firm in Wisconsin pulled in laborers from the farms and negroes from the South, then suddenly laid them off, to be supported and policed by a little city.

But more important than the employer is the banker as the stabilizer of employment. During the recent overexpansion a certain manufacturer applied for a loan of \$250,000 in order to enlarge the plant. The banker turned the application over to the bank's industrial engineer, recently added to the staff, and he showed the manufacturer how, by better economy and better labor management, he could get along without that loan of \$250,000. The banker put the screws on the manufacturer. Six or eight months afterward, when the collapse came, the manufacturer was profuse with thanks to the banker. The service of refusing him credit in order to prevent expansion was much greater than would have been the service of furnishing him credit.

The banking system, which is the center of the credit system, more than the business man who is the actual employer, can stabilize industry, and, in stabilizing industry, stabilizes employment. The difficulty is that no one individual can do it alone; no bank can do it by itself; no one business man can do it by himself; it is a collective responsibility and collective action is necessary. If one person is trying to stabilize his industry by not overexpanding and not taking too many rush orders, he simply knows that his competitors will get his business. But if all the business men, who are competing with each other, know that the banks are treating the others in the same way, then stabilization might be expected to work. So that the induce-

ment to stabilize employment in order that it may be really effective must not only take the example of those manufacturers who have pioneered the way themselves, but must interest the entire banking system of the State or Nation in the plan.

Now the Huber bill proposes that when an employer lays off a man, if the man has had six months' work in the State during the year, the employer shall pay him \$1 a day for a period of 13 weeks, and pay the State 10 cents a day additional toward expenses of administration. This creates a possible liability of about \$90, added to every man taken on in case he is laid off through no fault of his own, but simply through fault of the management. It means an added liability which the employer assumes when he hires a workman, so that, under such circumstances, it should be expected that when an employer wants to expand, and he ordinarily can not expand except by getting credit, he will go to the bank for additional credit and the banker will necessarily inquire as to what security he has that, at the end of these rush orders, he will be able to continue the employment or pay that possible \$90. In other words, the business man and the banker together are the controllers of credit, and it is the control of credit which can stabilize business. The overexpansion of credit is the cause of unemployment, and to prevent the overexpansion of credit you place an insurance liability on the business man against the day when he lays off the workmen.

As to the practicability of a proposition of this kind, unemployment insurance is already in existence in seven or eight countries, with a somewhat different system. It was started some 25 years ago in Switzerland, with a system which broke down because wrongly conceived. It then spread to Belgium where it has been in operation for some 20 years; then to Denmark some 15 years ago; then England took it up on the grandest scale yet known. It applied in England, some 10 years ago, to 2,000,000 workmen, but since the war the number has been increased until the law applies to 12,000,000 workmen. Italy followed the example of England. Norway has established the system. It appears that the industrial unrest in England and Denmark would before now have brought revolution had it not been for this unemployment insurance. By taking note of the experience of these countries, it is possible for America to improve upon their systems. In the Huber bill most of the rules and regulations, the interpretations of the law and the procedure, are taken from the British system. The British system was established in 1912. It was revised in 1920 and these particular rules and regulations were not materially changed. They had been working satisfactorily for eight or nine years and are now continued.

In the first place, a worker under the British rules is not entitled to compensation benefits if he leaves his work of his own accord or if he is discharged because of inefficiency or misconduct. He is not entitled to compensation if the unemployment is caused by strikes or lockouts either in his own shop or in related shops. No strike or lockout entitles a person to the unemployment benefit. He is required to accept a job which is offered to him through the public employment offices, a job which must be substantially equivalent in compensation and conditions to the one which he has, and not too remote from his home. Yet if traveling expenses are paid by the employer he can be required to take a remote job. Of course he can not literally be compelled to take the job, but if he does not take it his unemployment compensation ceases and the employer's liability is discontinued.

The workman must apply to these public employment offices for vacant jobs. There is at every employment office a board of arbitration to settle disputes. If the workman claims compensation and the employer denies it, the claim can be taken up by a board appointed by the Government, consisting of one employer, one employee, and a third party. The employment officer in the first case makes a record as to what the job is and he then notifies the employer whether the man is entitled to compensation or not. If the employer objects, he can appeal to this board which meets every Saturday in an informal way at the employment office. If the workman objects he can appeal to the board of three, and finally, if that does not settle the claim, he can appeal to an umpire. In England they have one umpire to settle all of these cases on appeal, and during the first four or five years there were only 1,500 cases appealed to this umpire. Any person, reading the decisions of umpire, can easily ascertain how the law worked, for there are interpreted all the points as to whether the person is entitled to the unemployment benefit or not.

The evils of the European systems are two fold: In the first place the state goes into the insurance business and operates an insurance fund, and in the second place the finding of jobs is left largely to the trade unions.

The system which was started in St. Gall, Switzerland, 25 years ago, broke down in two years. It provided for compulsory insurance on every workman. The workman was to insure himself. The state did not contribute and the employer did not contribute, but the workman was assessed and he had to pay into a state fund for his own benefit in case of unemployment. The result was that workmen began to leave the canton. The system broke down.

It was next taken up about 15 years ago in the city of Ghent, Belgium. A different feature was added. It provided that if any association of workmen of a voluntary character should be organized for the relief of unemployment and the accumulation of a fund, the city of Ghent would add one-half of the amount that the association paid out. In other words the city of Ghent subsidized the trade-unions, which were the only organizations that could take advantage of the law. They have already their out-of-work funds; they already have their employment offices, their business agent to find jobs, and the city of Ghent comes to their aid, subsidizes them by paying practically one-half the amount that the union itself had paid. Apparently the only reason why that system has worked in Ghent and has spread over Belgium is because certain individuals have given very great and careful attention to it.

When the same system, applied in Denmark, had resulted in great abuses, and the law was revised in 1920, it was provided that the unions should no longer decide whether a man was entitled to compensation benefit or not. A state officer was appointed whose business is that of an umpire to decide as between the union and the state. The practice of subsidizing the union was continued, but the provision took out of the hands of the unions the decision as to whether the union is entitled to the state subsidy or not.

When England took it up, 10 to 15 years after these other countries, she adopted an entirely new idea—that the three parties were to contribute. The workman was to contribute something like 5 cents a week, the employer 5 cents a week, and the state 2½ cents a week. This money was to be put into a state fund, operated by the Government. But England retained the feature that if a trade union was paying out-of-work benefits it could present a bill to the Government showing the amount of money it had paid out and the Government would refund to the union the amount called for by the insurance scheme.

These theories and practices in Europe have been based upon the idea, first, that unemployment is something that can not be prevented, that it is something inevitable, and that, this being the case, a philanthropic system to aid working people when out of work should be established; second, that the state should both contribute to the fund and operate the insurance business.

The Huber bill, introduced in Wisconsin, abandons the idea that the State can operate the system successfully or that the trade-unions can operate it. It starts on the idea that the modern business man is the only person who is in the strategic position and has the managerial ability capable of preventing unemployment. In other words, the system proposed is exactly like that of the workman's accident compensation law of this State. A mutual insurance company is created, operated, and managed solely by the employers. That company is created upon the same principle as the State's accident compensation law. The employers establish their own premiums, supervised by the State insurance board; they pay out the benefits to the workmen exactly as they pay out the benefits under the accident compensation law. The only difference is that instead of the doctor who cures the man of accidents, the bill provides an employment officer who finds the man a job. The system avoids what might be called the socialistic and paternalistic schemes of Europe. It is a capitalistic scheme. It avoids the socialistic scheme, in that the State does not go into the insurance business; it avoids the paternalistic scheme in not paying out relief for an inevitable accident. It induces the business man to make a profit or avoid a loss by efficient labor management. It places the compensation so low that the workman has no expectation of more than enough to pay his rent.

#### THE CASE IN ACCIDENT COMPENSATION

If we may judge from what employers have done in the case of the accident compensation law we may predict what they will do under an unemployment compensation law of this kind. When the State of Wisconsin enacted

its accident compensation law, it tied it up with an accident prevention law and placed both laws under the administration of the State industrial commission.

The industrial commission then made a search throughout the country to find the best man for the prevention of accidents. They found C. W. Price, of the International Harvester Co., and succeeded in inducing him to come into the State and take up the work of accident prevention. This was done even before the compensation law went into effect. Mr. Price organized the accident prevention work; he started the safety movement. He started organizations in the shops and in communities. He established safety committees by which the employers themselves, along with their engineers and their workmen, drew up the safety rules. The industrial commission law provides a place for these advisory committees.

If one examines the 300 pages of the labor law of the State he will find that the legislature enacted only 100 pages and these advisory committees of employers and employees drafted 200 pages. These were then issued as "orders" by the industrial commission. Two-thirds of the labor laws of the State are actually made by the men in the industries, who must obey the laws and who therefore frame them. The legislature simply has given to the industrial commission the power to make these rules and orders and has authorized the commission to bring in the employers and safety experts to assist them in making them.

The unemployment compensation bill follows along the same line. We can safely predict how it will work. At the time when the accident compensation law went into effect one of the large firms of the State came to the industrial commission with the alarm that the law would increase their premium for employers' liability from \$5,000 a year to \$22,000 a year. The insurance company had put up their premium to that figure under the new law, and the claim agent had figured it out the same. The commission asked them why they did not adopt the safety first movement; why they did not convert their claim agent into a safety expert; why they did not equip their plant with safeguards and teach their workers safety first. They took the idea and equipped their establishment fool proof. The first year, instead of paying \$5,000 on account of increased cost of premiums, they paid only \$2,500 on account of industrial accidents. They made money by the new law.

It is amazing what business can accomplish when it has a sufficient inducement. If there is enough money in it, it can accomplish more than any other agency. At the present time the business men of this country have formed their great national safety council. They have taken Mr. Price away from Wisconsin and have taken three or four other employees of the industrial commission who have made names as safety experts. They have put them in charge of this national safety movement, and they are carrying on throughout the Nation, not only in the factories, but on the streets and in the schools, a great safety campaign. They have taken these people away from the State because the State will not pay high enough salaries. Public business will always be more inefficient than private business, because, as a man becomes efficient in public business, he either gets fired on account of politics or the business man hires him and pays him a bigger salary. These former employees of the industrial commission are now paid three to five times the salary paid by the State. The manufacturers of the Nation, with their help, are now doing more for safety than all of the legislatures, all of the labor organizations, all of the philanthropic associations, ever thought possible, simply because they make money by doing it and the others do not. They even operate safety campaigns on the streets and in the schools, indirectly reducing accidents in the shops. The employer was probably never legally liable for more than a third of the accidents in the shops. The hazard of the industry and the carelessness of workers and fellow-workers caused the other two-thirds. Yet the employer was made responsible for all the accidents. He knows how to "sell" safety to the public and to his own employees, and to turn safety into profit. He can reduce accidents 75 per cent, say Mr. Price.

#### THE EMPLOYERS' GAIN

Likewise, in Wisconsin, the State Employers' Mutual Liability Insurance Co. has taken over actuaries and safety experts from the industrial commission, at higher salaries. At the hearings on the Huber bill, a leading employer, while opposing the bill, showed how it would work. He figured that

the proposed law would cost his firm \$50,000 a year. If it should go into effect, he would not trust the State employment offices—he would hire his own employment manager to find jobs for his men when he laid them off.

This is the business way of looking at it. The State will pay low salaries to men responsible for spending \$20,000,000 a year, because the people can not measure inefficiency, and the legislature can save the State from bankruptcy out of the pockets of the taxpayers. But the business man, who must measure inefficiency by bankruptcy in dollars and cents, will pay an employment manager two to five times the State salary in order to save \$50,000 a year.

Incidentally, efficient employment management, as it has come to be known during the past 10 years, may be expected to make money for employers under an unemployment compensation law if organized like their safety work. The labor turnover, the dovetailing of jobs, the training of employees for different jobs, the selection, promotion, and transfer of employees, the spreading out of the overhead expense, the cultivation of willingness, the improved morale of steady workers, all belong to this new profession of the industrial engineer. The saving effected by the new efficiency of this new profession may be expected to exceed the cost of the unemployment compensation which both makes it necessary and opens up a wider field for it.

Consider, too, how much employers get by having a steady force of workmen who can feel that it is practicable for them to buy their homes. Under our present system it would usually be a mistake for workmen to buy homes. Home ownership ties the workman down to the job. It ties him to the locality and he loses his power of movement when unemployed. Under a system of stabilizing employment the workman can afford to engage in home building, his main inducement to thrift.

This increased efficiency and thrift and spreading out of overhead expense is the answer also, in part, to the objection that one State can not pioneer the way, on account of interstate competition. Such objections did not hold back accident-compensation laws. The increased efficiency in avoiding accidents may be repeated in avoiding unemployment. But this objection has validity and can be met in full only by introducing the system gradually. Certain transitional measures are required. A preventive measure can not prevent a condition already existing. Hence a revision of the Huber bill provided that the law should not go into effect until a finding should be made by the industrial commission that business conditions are improving and workmen are being reemployed in reasonable numbers. That is the time when companies begin to set aside their reserve funds for investors and they set them aside for unemployment also. Then, too, they begin to pay their premiums to the mutual insurance company.

#### ACTUARIAL EXPERIENCE

Further than this, there is no actuarial experience on which to base premium rates. The best statistics are from Massachusetts. They show that in the factories of that State, over a period of 25 years, the amount of unemployment averaged about five weeks a year. It went as high as 30 per cent in the years 1893 to 1897 and as low as 2 per cent in the best years. The average was about 10 per cent. That is almost the only existing basis for calculating premium rates. Consequently, an initial period of three years is provided in the revised Huber bill, during which the maximum period of compensation is fixed at 6 instead of 13 weeks. And further, if, during this initial period, the reserves of the insurance company run low and menace the solvency of the company, the industrial commission is authorized to shorten the period to even less than 6 weeks, in order to protect the solvency of the company. This feature is taken from the insurance plan of the Duchess Bleachery.

With these provisions it is necessary to create a single Employers' Mutual Employment Insurance Co., for at least the initial period, to which all employers are eligible, rather than leave the field open to competition. The company is both a prevention and an insurance company, managed by the employers. During the initial period, the premium rates can be worked out, under the approval of the State insurance commissioner, and the rules and regulations can be worked out under the approval of the industrial commission. For the purpose of working out the rules and regulations a State advisory board of employers and employees is provided. This has been the method by which, as already mentioned, the safety and sanitation orders, the minimum

wage orders, the apprenticeship rules and other orders of the industrial commission were made. So the unemployment compensation bill provides a framework, and leaves the details to the employers' insurance company and the advisory committee of employers, employees, and employment managers, under supervision of the existing State authorities.

The duty of the latter is simply to see that the law is carried into effect and to decide disputes. The employers themselves make the rules and the State acts as umpire. The 12 States free employment offices are already managed in some cases by these joint committees, cooperating with the State commission, and no material change is needed in their administration. They become mainly recording offices for the unemployment-compensation law, since the employers do the job-finding themselves through their employment managers and their State-wide insurance companies.

#### DESIRABILITY AND PRACTICABILITY

In any proposition of this kind there are two questions. Is it practicable? Is it desirable? The foregoing has indicated its practicability. It is based on the knowledge gained from the experience of various European countries and upon the experience of the industrial commission with the accident compensation law.

If we recognize that this question of capital and labor acquires its bitterness from this failure of capitalism to protect the security of labor, then we shall conclude that unemployment compensation and prevention is of first importance. We have already removed from the struggle between capital and labor the bitterness over the responsibility for accidents. Labor agitators formerly could stir up hatred of the employer on the ground that the employer gets his profits out of the flesh and blood of his workmen. No longer do we hear that language; but we do hear them say that capital gets its profits out of the poverty and misery of labor and the reserve army of the unemployed. That is the big remaining obstacle which embitters the relations between capital and labor. While individuals may think it is undesirable, yet from the standpoint of the States and of the Nation, we must submit somewhat our individual preferences to what may help to prevent a serious menace in the future, and must impose upon capital that same duty of establishing security of the job which it has long since assumed in establishing security of investment.

#### HUBER UNEMPLOYMENT INSURANCE BILL

##### STATE OF WISCONSIN, IN SENATE.

Substitute amendment No. 1, S., to bill No. 122, S. May 3, 1921, offered by Senator Huber. Referred to Committee on the Judiciary. To create sections 2394—101 to 2394—111, inclusive, of the statutes, relating to the prevention of unemployment by compensating workmen while temporarily unemployed, providing insurance, and providing penalties.

*The people of the State of Wisconsin, represented in senate and assembly, do enact as follows:*

SECTION 1. Eleven new sections are added to the statutes to read: Section 2394—101. The following terms, expressions, and phrases as used in sections 2394—101 to 2394—111, inclusive, shall be construed as follows:

1. The term "employee" shall mean every person, including aliens, in the service of a person, firm not incorporated, or partnership which at any time after the date of the passage of this act has three or more persons serving in a common employment, and every person including aliens in the service of any corporation (including public-service corporations), under any contract of hire, express, or implied, oral or written, all helpers, and assistants of employees whether paid by employer or employee, if employed with the knowledge, actual or constructive of the employer and also including minors who have reached their 16th birthday or over, who for the purpose of this act, shall have the same power of contracting as an adult employee, excepting persons—

(a) Who are employed by farmers, or canneries; or,

(b) Who are in receipt of any pension or income of \$500 annually or upwards, which does not depend upon their personal exertion; or,

(c) Whose total annual income exceed \$1,500, or who are ordinarily or mainly dependent for their livelihood upon some other person.

2. The term "employer" shall mean and include every person, firm not incorporated, or partnership which shall at any time after the date when this act takes effect have three or more persons serving in a common employment, and every corporation operating in the State of Wisconsin (including public service corporations) having in service one or more persons under any contract of hire, written or oral, express or implied, and whether paid by time or by piece, or partly by time and partly by piece, or otherwise. The provisions of this subsection shall not apply to farmers and canneries.

3. The expression "in service" shall be construed to mean in the service of one or more employers.

4. The expression "strike or lockout" shall mean and include any dispute or controversy between employees and employers, or between employees and employees in connection with the employment or nonemployment or the terms of employment, or with the conditions of employment of any persons whether employees in the employment of the employer with whom the dispute or controversy arises or not.

5. The term "deputy" shall mean and include any deputy as defined in section 2394-41, employed by the industrial commission. The deputy shall investigate and determine applicants' eligibility of unemployment compensation and be engaged in the performance of duties under the direction of the commission.

6. A person shall not be deemed to be unemployed on any day on which he is following an occupation for which he derives remuneration or wages, provided his remuneration or wages shall not be less than 75 per cent of his usual remuneration or wages by day.

7. Two periods of unemployment of not less than two days each separated by a period of not more than three days, shall be treated as a period of continuous unemployment, and the expression "continuously unemployed" shall have a corresponding meaning.

8. The term "employment district" shall mean and include such suitable area within a reasonable distance from any free employment agency established and conducted by the industrial commission, within which unemployed workmen may be required to accept offers of employment under the provisions of sections 2394-101 to 2394-111, inclusive, of the statutes.

Sec. 2394-102. Any employee who is unemployed shall be compensated as wages on the fourth day of unemployment, subject to the provisions of sections 2394-101 to 2394-111, inclusive, referred to as "unemployment-compensation," at weekly intervals, and at such rates and for such periods as are authorized in the provisions of section 2394-101 to 2394-111, inclusive, so long as the statutory conditions continue to be fulfilled and so long as he is not disqualified under this act for the receipt of unemployment compensation.

Sec. 2394-103. 1. Liability for the unemployment compensation as herein provided shall exist against the last employer of an unemployed person while unemployed in those cases where the following statutory conditions for the receipt of unemployment compensation occur.

(a) That the employee has been in service for twenty-six weeks in accordance with the provisions of sections 2394-101 to 2394-111, inclusive; and,

(b) That the employee has made application for unemployment compensation in the prescribed manner, and since the date of application has been continuously unemployed; and,

(c) That the employee is capable and available for work, but unable to obtain suitable employment, as provided in subsection 2 of this section; and,

(d) That the employee has not exhausted his right to unemployment compensation in accordance with the provisions of sections 2394-101 to 2394-111, inclusive.

2. An employee shall not be deemed to have failed to fulfill the statutory conditions provided in subsection 1 of this section because he has declined:

(a) An offer of employment in a situation vacant in consequence of stoppage of work due to a strike or lockout; or,

(b) An offer of employment in an employment district where the employee was last ordinarily employed at a rate of wage lower, or on conditions less

favorable than those which he habitually obtained in his usual employment, or in similar employment for which he is fitted, in that district, or would have obtained had he continued to be so employed; or,

(c) An offer of employment in any other employment district at a rate lower than the prevailing rate of wage in his usual or similar employment for which he is fitted, or on conditions less favorable than those generally observed in that district, or without prepayment, by the last employer, of his railroad fare to such other employment district as provided in subdivision (i) of subsection 3 of this section.

3. For the purpose of and subject to the provisions of sections 2394-101 to 2394-111, inclusive,

(a) No employee shall receive unemployment compensation for more than 13 weeks in any calendar year, and employees shall receive unemployment compensation in the proportion of one week's unemployment compensation for every four weeks in service; provided that during the period of three years ensuing from the date when the requirement of insurance and unemployment compensation herein provided takes effect no employee shall receive unemployment compensation for more than six weeks in any calendar year; and

(b) No employer shall solicit, receive, or collect any money from his employees, or make any deduction from their wages, either directly or indirectly, for the purpose of discharging any liability under the provisions of sections 2394-101 to 2394-111, inclusive; and

(c) No agreement by an employee to waive his rights to unemployment compensation under sections 2394-101 to 2394-111, inclusive, shall be valid, and no unemployment compensation under this act shall be assignable, or subject to attachment, or liable in any way for any employees' debts; and

(d) When an employee has lost employment through his own fault, or voluntarily leaves his employment without reasonable cause, he shall be disqualified from receiving unemployment compensation; and

(e) When an employee has lost employment by reason of stoppage of work due to a strike or lockout at a factory, workshop, or other premises at which he was employed he shall be disqualified for receiving unemployment compensation so long as the stoppage of work continues, unless he since became employed elsewhere in an occupation which he usually follows, or has become employed in some other occupation or employment; and

(f) An employee shall be disqualified for receiving unemployment compensation while an inmate of any prison or any workhouse, or other like institution; and

(g) Any time during which an employee is under this act disqualified for receiving unemployment compensation shall be excluded in the computation of periods of unemployment under this act; and

(h) A period of unemployment shall not be deemed to commence until the employee has made application for unemployment compensation in the manner prescribed by the industrial commission; and

(i) If any unemployed person has a definite offer of employment in any other employment district, and in the opinion of the deputy would be entitled to receive or continue to receive unemployment-compensation provided he became or remained unemployed, he may apply to the deputy for his railway fare to that place, provided that the amount of the railroad fare does not exceed the maximum amount payable in respect of unemployment-compensation, and the deputy shall thereupon issue to him an order upon his last employer requiring said employer to pay or continue to pay the unemployed person the unemployment-compensation as provided in section 2394-104, or of paying the amount of the railroad fare to such place of employment and the amount of such railroad fare shall be deducted from the maximum amount payable in respect of unemployment-compensation. The industrial commission shall divide the State into employment districts and establish free employment agencies as may be found convenient, as provided in subsections (9), (9a), and (11) of section 2394-52 of the statutes.

Sec. 2394-104. 1. Subject to the provisions of sections 2394-101 to 2394-111, inclusive, unemployment-compensation shall be payable to any employee unemployed each week of the continuous period of unemployment commencing with the fourth day of unemployment and shall be paid by his last employer at a daily rate of \$1 for each working day for male and female persons 18 years of age or over, and 50 cents for each male and female person between the ages of 16 and 18 years.

2. Subject to the provisions of sections 2394—101 to 2394—111, inclusive, for each obligation to pay \$1 to any employee as unemployment-compensation, the employers shall pay an additional 10 cents into the treasury of the State of Wisconsin, and for each obligation to pay 50 cents to persons between the ages of 16 and 18 years of age, the employer shall pay an additional 5 cents into the treasury of the State of Wisconsin. The employers' mutual employment insurance company, created by section 2394—105, shall insure said obligation owing to the State of Wisconsin in the same manner as the unemployment-compensation herein provided. The amount of such payments due to the State of Wisconsin shall be determined by the industrial commission in the same manner as provided for determining the amounts of unemployment-compensation owing by such employers, and, upon certification by the industrial commission to the State treasurer, shall be payable as a debt to the State in monthly installments on the 10th day of each month for all payments due as of the preceding calendar month. Sums paid into the State treasury under the provisions of this section are hereby appropriated to the industrial commission, the commissioner of insurance and the compensation insurance board under regulations to be prescribed by the State board of public affairs, for the use of said industrial commission, said commissioner of insurance and said compensation insurance board in operating free employment agencies and meeting additional expenses of administration imposed by sections 2394—101 to 2394—111, inclusive.

Sec. 2394—105. 1. Every employer liable for the payment of unemployment-compensation under sections 2394—101 to 2394—111, inclusive, shall insure such liability in the employers' mutual employment insurance company which is hereby created for the insurance and prevention of unemployment: *Provided*, That the industrial commission may exempt any employer from insuring said liability upon showing of financial ability and upon such other conditions and penalties as are provided in subsections 2 and 3, of section 2394—24 of the statutes, which, including said penalties, are made a part hereof except in so far as inconsistent with sections 2394—101 to 2394—111, inclusive. Said employers' mutual employment insurance company shall, without payment of license fee, be subject to the provisions and all rules, orders, and inspections of the industrial commission, the commissioner of insurance, and the compensation insurance board within their respective jurisdictions as provided in sections 2394—26, 2394—28, 2895m, 1896, 1896m, 1897a to 1905a, inclusive, sections 1921—1 to 1921—11, inclusive, 1966y to 1972a, inclusive, of the statutes, except in so far as inconsistent herewith. Said employers' mutual employment insurance company shall admit to membership any employer required to insure his liability under the provision of this act.

2. The commissioner of insurance within sixty days after the passage of this act shall fix a time and place for the first meeting of employers subject to the provisions of sections 2394—101 to 2394—111, inclusive, for the purpose of organization and incorporation of the employers' mutual employment insurance company, herein provided, and shall give public notice of such meeting at least thirty days before such meeting. Each of said employers, himself or by his duly authorized representative, not exempt under the provisions of this section and having less than one hundred employees subject of the provisions of sections 2394—101 to 2394—111, inclusive, shall be entitled to one vote at such first meeting, or having one hundred or more employees subject to said provisions shall be entitled to one vote for each one hundred such employees or major fraction thereof, as determined by the commissioner of insurance, and in the organization, adoption, and amendment of articles of incorporation, and in the conduct of said employers' mutual employment insurance company the provisions of sections 1895m, 1896, 1896m to 1905, inclusive, 1966y to 1972c inclusive, and chapter 86 of the statutes, shall be made a part hereof in so far as applicable and not inconsistent herewith.

3. The requirements of insurance provided in this section and of unemployment-compensation provided in sections 2394—102, 2394—103 and 2394—104, shall take effect thirty days after such date as the industrial commission shall, upon investigation, findings, and notice, ascertain and determine that employment conditions are improving and that unemployed persons are being reemployed in reasonable numbers. The industrial commission shall have power, authority, and jurisdiction to determine such date.

4. During the period of three years from the date when the requirement of insurance and unemployment compensation provided herein takes effect, if the reserve fund of said employers' mutual employment insurance company falls

below such reasonable ratio to the net liability of the company as may be determined by the compensation insurance board to endanger the solvency of said company, then the compensation insurance board shall reduce the periods for which unemployment compensation is payable as provided in sections 2394—103 and 2394—104, to such reasonable periods as may secure the solvency of said company. Thereafter the periods of unemployment compensation shall be as provided in sections 2394—103 and 2394—104. *Provided*, further, that no action to recover unemployment compensation shall be entertained during the period of sixty days first ensuing after said date when the requirement of insurance and unemployment compensation takes effect.

5. The employers' mutual employment insurance company shall have authority subject to approval by the compensation insurance board: to classify the industries of this State that are subject to unemployment-compensation insurance into proper classes for unemployment compensation insurance purposes; to make inspections of unemployment compensation risks and to apply thereto an experience rating system; to establish charges and credits under such system; to provide for refunds to employers on the basis of experience in preventing unemployment; to assist the compensation insurance board in approving rates, investigating unemployment conditions and other material facts in connection with unemployment compensation risks and to assist in promoting regularity of employment in the industries.

Sec. 2394—106. The industrial commission shall appoint a board, to be known as the "Unemployment Advisory Board," consisting of one member at large who shall act as chairman and an equal number of members to represent respectively employers and employees, to be selected from lists submitted for that purpose by employers and employees. The board shall meet on call of the industrial commission, and shall assist the industrial commission without pay, except for expenses, in investigations, and determinations, and general administration of sections 2394—101 to 2394—111, inclusive, of the statutes. In like manner the commission may appoint similar advisory boards to function in localities where the commission deems necessary to facilitate and promote the effective administration of sections 2394—101 to 2394—111, inclusive, of the statutes. The industrial commission shall make reasonable regulations for recording the facts upon the claims of employees to unemployment compensation may be determined.

Sec. 2394—107. 1. All questions relating to whether an employment is such as to make the person engaged therein an employee under the meaning of sections 2394—101 to 2394—111, inclusive, or as to who is the employer of any employee shall be decided by the industrial commission.

2. All claims for unemployment compensation as provided in sections 2394—101 to 2394—111, inclusive, shall be filed with the deputy and all questions whether the conditions for such unemployment compensation provided in sections 2394—101 to 2394—111, inclusive, are fulfilled in the case of any person claiming any unemployment compensation, or whether these conditions continue to be fulfilled in the case of a person claiming such unemployment compensation, or otherwise arising in connection with such claims, shall, subject to the provisions of section 2394—101 to 2394—111, inclusive, be decided in the first instance by a deputy of the commission.

3. The deputy shall take into consideration any claim or question submitted for his determination under the provisions of subsection 2 of this section, and shall give his decision thereon within one day from the date on which the claim or question was so submitted, whereupon he shall issue or refuse to issue a statement to the employer liable for the payment of such unemployment compensation, of the employee's right to receive such unemployment compensation, giving the reasons which shall require the employer to pay such unemployment compensation due to the employee. The employer shall, unless he contests such statement in the prescribed manner, compensate as wages the amount of unemployment compensation due said employee at least one week after the fourth day of unemployment. The deputy shall re-issue such statement at weekly intervals thereafter as provided in this act.

Sec. 2394—108. In any case where unemployment compensation is refused or stopped, or where the amount of unemployment compensation allowed is not in accordance with the claim, the person claiming such unemployment compensation or in receipt of such unemployment compensation, or where the employer or employers' mutual employment insurance company is aggrieved by the decision of the deputy, such party or parties may appeal their case to the

industrial commission for review and reconsideration and thereafter to the Dane County circuit court, in the same manner as provided in sections 2394—15 to 2394—24, subsection 1, inclusive, of the statutes.

Sec. 2394—109. 1. If for the purpose of obtaining any unemployment compensation or payment under sections 2394—101 to 2394—111, inclusive, either for himself or for any other person, or for the purpose of avoiding any payment to be made by himself as provided in sections 2394—101 to 2394—111, inclusive, or enabling any other persons to avoid such payment, any person knowingly makes any false statement or false representation, or any person who buys or offers for sale, takes or gives in exchange, or pawns, or takes in pawn any document, paper, or card provided by the industrial commission for recording the facts upon which the claims of employees to unemployment compensation may be determined, he shall be guilty of misdemeanor, and upon conviction he shall be liable to imprisonment for a term not exceeding three months, with or without hard labor, or shall forfeit an amount not exceeding five hundred dollars, or both, according to the opinion of the court that the justice of the case would be better met.

2. If any employer refuses or neglects to comply with any of the requirements of sections 2394—101 to 2394—111, inclusive, or the regulations made thereunder, or if any employer solicits, receives, or collects any money or deducts or attempts to deduct from the wages or other remuneration of the employee, either directly or indirectly, for the purposes of discharging any part of the employer's liability under the provisions of sections 2394—101 to 2394—111, inclusive, he shall be guilty of misdemeanor and shall upon conviction thereof forfeit twenty-five dollars for each offense.

Sec. 2394—110. It shall be the duty of the industrial commission, the insurance commissioner and the compensation insurance board, within their respective jurisdictions, and they shall have power, jurisdiction, and authority, to make all investigations, classifications, rules, regulations, and orders and to require all reports from employers and the employees' mutual employment insurance company reasonably necessary to enforce the provisions of sections 2394—101 to 2394—111, inclusive. Such investigations, classifications, rules, regulations, and orders, and any action, proceeding or suit to set aside, vacate, or amend any such order of the industrial commission, insurance commissioner, the compensation insurance board, or to enjoin the enforcement thereof shall be made pursuant to the proceedings in subsections 2 and 3 of section 2394—24, sections 2394—41 to 2394—71, inclusive, or pursuant to the proceedings in sections 1966y to 1972c, inclusive, or pursuant to the proceedings in section 1921—1 to 1921—11, inclusive, as the case may be, which sections are hereby made a part hereof, so far as not inconsistent with the provisions of sections 2394—101 to 2394—111, inclusive, and every order of said industrial commission, insurance commissioner, or said compensation insurance board shall have the same force and effect as the orders issued pursuant to said subsections 2 and 3 of section 2394—24, sections 2394—41 to 2394—71, inclusive, sections 1966y to 1972c, inclusive, and sections 1921—1 to 1921—11, inclusive, and the penalties therein shall apply and be imposed for any violation of sections 2394—101 to 2394—111, inclusive, of the statutes.

Sec. 2394—111. Should any portion of sections 2394—101 to 2394—111, inclusive, be adjudged unconstitutional, the remaining shall, nevertheless, be valid and of full effect.

Sec. 2. This act shall take effect upon passage and publication.

#### EXHIBIT 7

##### REVISION OF HUBER UNEMPLOYMENT PREVENTION BILL, 1925

A BILL To create sections 112.01 to 112.20 of the statutes and to amend subsection (5) of section 201.04, section 205.01, and subsection (9a) of section 101.10 of the statutes, relating to the prevention of unemployment by compensating workmen while temporarily unemployed, providing penalties, and making an appropriation of fees

*The people of the State of Wisconsin, represented in senate and assembly, do enact as follows:*

SECTION 1. Twenty new sections are added to the statutes, to read:  
112.01. The following terms, expressions, and phrases, as used in this chapter, shall be construed as follows:

(1) The term "employer" shall mean every person, firm, and private corporation, who shall, at any time after the date when this chapter takes effect, have six or more employees in a common employment. But the term "employer" shall not include farmers. Any employer who has been subject to this chapter upon his showing to the satisfaction of the industrial commission that at no time during the previous twelve months he has employed six or more employees and that all his liability for compensation or for insurance is discharged or provided for, shall (until such time as he again employs six or more employees) cease to be an employer within the meaning of this chapter.

(2) The term "employee" shall mean every person in such a common employment in the service of an employer under any contract of hire, express or implied, oral or written, including all helpers and assistants of employees, whether paid by employer or employee, if employed with the knowledge, actual or constructive, of the employer, and also including minors of permit age or over. But the term "employee" shall not include persons—

(a) Who are engaged in farm labor;

(b) Whose employment is not in the usual course of the trade, business, profession, or occupation of the employer;

(c) Whose income from employment other than manual labor is at the rate of one thousand five hundred dollars or more per year.

(3) The expression "weeks of employment" shall mean the total weeks of employment by one or more employers during which the employer or employers were liable for compensation under this chapter.

(4) An employee shall be deemed partially unemployed when his usual weekly work is reduced to such an extent that his weekly remuneration or wage is less than seventy-five per cent of his usual weekly remuneration or wage.

(5) The term "compensation" shall mean compensation for total or partial unemployment.

112.02. (1) Whenever in any industry or class of employment it is customary to operate only during a regularly recurring period or periods of less than one year in length, then the employer's liability for compensation and his obligation to insure this liability shall apply only to the longest seasonal period or periods which the best practice of such industry or class of employment will reasonably permit. The industrial commission shall ascertain and determine or redetermine such seasonal period or periods for each such seasonal employment. Until such determination, no employment shall be deemed seasonal.

(2) Whenever in any establishment it is customary to afford a regularly recurring vacation period, then the employer's liability for compensation and his obligation to insure this liability shall not apply to such vacation period. The industrial commission shall ascertain and determine or redetermine such vacation periods. Until such determination, no period of unemployment shall be deemed a vacation period.

(3) Whenever in any industry or class of employment it is customary to engage employees for a term of three days or less, then the employer in such industry or class of employment shall owe compensation beginning with the day of filing claim as provided in section 112.07. The industrial commission shall ascertain and determine or redetermine the casual employments to which this section shall apply. Until such determination no employment shall be deemed casual.

112.03. The liability of an employer for compensation shall arise whenever after June 30, 1926, an employee leaves or loses employment with an employer. The amount of the liability shall be determined by the provisions of sections 112.04, 112.05, 112.07, and 112.08.

112.04. (1) Compensation shall be payable weekly by the last employer of an employee or by the insurance company with which he may have insured his liability under this chapter and shall accrue:

(a) Beginning with the third day after filing claim (except in casual employments in which it shall accrue beginning with the day of filing claim) to an employee totally unemployed, if of permit age, at the rate of 50 cents for each working day including half holidays; if above permit age, at the rate of \$1 for each working day including half holidays: *Provided, however,* that no employee shall be compensated at a higher rate per week than 65 per cent of his usual weekly remuneration or wage in his last employment by an employer.

(b) Beginning with the day of filing claim to an employee partially unemployed, at the above rates reduced proportionally to the reduction in his usual weekly remuneration or wage.

(2) Compensation shall not accrue to an employee either for more than thirteen weeks in a calendar year or in greater ratio than one week of compensation to four weeks of employment during the two preceding calendar years.

(3) For the purpose of computing the number of weeks during which compensation may accrue to an employee, any period during which an employee receives compensation for partial unemployment shall be counted in the ratio which this compensation bears to his maximum compensation for the same period.

(4) Employment by a person not an employer or by an employer in a seasonal employment outside of the seasonal period, as determined by the industrial commission, shall not terminate, but only suspend, the liability of a previous employer. If the employee becomes unemployed within six months of the cessation of his employment by such previous employer, compensation shall again accrue upon his filing a claim against such previous employer within one month of the cessation of his last employment.

112.05. (1) Compensation shall accrue to an employee as provided in section 112.04:

(a) On condition that the employee has been employed by one or more employers within the State not less than twenty-six weeks during the two preceding calendar years;

(b) So long as he is continuously unemployed except as provided in subsection (4) of section 112.04;

(c) While he is capable of and available for employment and (unless only partially unemployed) unable to obtain suitable employment and while he continues to report from time to time according to rules prescribed by the industrial commission.

(2) Suitable employment shall mean employment in his usual employment or other employment for which he is reasonably fitted in the vicinity, as determined by the industrial commission, of his residence or last employment. But an employee shall not lose his right to compensation if he refuses an employment as unsuitable:

(a) Because the situation is subject to conditions substantially less favorable than the prevailing conditions in his usual employment, but the conditions shall not be deemed less favorable because the employment is likely to be less permanent or because it is an employment to which compensation does not attach;

(b) Because the situation is vacant owing to the direct participation of a previous occupant in an existing strike or lockout.

(3) An employee shall not be entitled to compensation:

(a) If he lost his employment through his misconduct;

(b) If he has left his employment voluntarily without reasonable cause;

(c) If he has left or lost his employment by reason of stoppage of work due to a strike against or lockout by the employer at the factory, workshop, or premises at which he was employed, so long as the strike or lockout continues;

(d) If his unemployment has been directly caused by an act of God.

112.06. No agreement by an employee to waive his right to compensation shall be valid, and no compensation shall be assignable, subject to attachment, or liable in any way for an employee's debts.

112.07. (1) Claims for compensation, in such form as the industrial commission shall provide, shall be filed with the deputy in charge of the employment office in the district of the claimant's last employment, or other deputy designated by the commission for this purpose. Such claim shall be filed within one month of the cessation of employment.

(2) (a) If the claim appears to the deputy invalid, he shall reject the claim and notify the claimant in writing of such rejection and of his right to make an application for a hearing. This application must be made within three working days of such notification and in such form as the industrial commission shall provide.

(b) If the claim appears to the deputy valid, he shall give written notice of the claim to the claimant's last employer and notify him that he owes compensation unless he contests the claim by filing with the commission, within three working days after receipt of the notice, a denial of the claim in such

forms as the industrial commission shall provide. If such a denial is filed, it shall operate as an application for a hearing.

(c) In case the employer does not contest the claim, he shall pay compensation so long as it is due under this chapter. Upon his failure to make proper and prompt payments, the claimant may make, in such form and within such time as the commission may prescribe, an application for a hearing.

112.08. (1) On application for a hearing or upon its own initiative, as provided in subsection (2) of section 102.17, the commission shall proceed in the manner provided in sections 102.14 to 102.19, to hear and determine any contested claim for compensation.

(2) The industrial commission may provide for the hearing of contested claims by local boards representing the employers and employees, and make rules for the proceedings before such boards and for review or rehearing before the commission.

(3) If the application for a hearing arises under paragraph (c) of subsection (2) of section 112.07, the employer shall be estopped to set up:

(a) That he is not the claimant's last employer;

(b) That the claimant was not his employee;

(c) That the claimant lost his employment through his own misconduct;

(d) That the claimant left his employment voluntarily without reasonable cause;

(e) That the claimant left or lost his employment by reason of stoppage of work due to a strike or lockout;

(f) That the unemployment was directly caused by an act of God.

(4) The provisions of sections 102.20, 102.22, 102.27, inclusive, and subsection (1) of section 102.28, shall apply, as far as may be, to claims and awards for compensation under this chapter.

112.09. (1) Every employer liable for the payment of compensation, unless he is exempted as provided in section 112.10, shall insure such liability in the employers' mutual employment insurance company hereinafter created. The obligation to take out a policy shall take effect July 1, 1926, or as soon thereafter as a person not theretofore an employer becomes such, and premiums shall be payable within ten days of the date when the employer is required to take out a policy. Any nonexempt employer who fails to take out a policy of insurance with the employers' mutual employment insurance company shall nevertheless, be liable to such company for premiums at the same rate as if he had taken out a policy.

(2) If it appears by the complaint or by the affidavit of any person in behalf of the State or of the employers' mutual employment insurance company that any nonexempt employer has failed to take out a policy with such company or that any premium is due upon such policy and not paid, there shall forthwith be served on the employer an order to show cause why he should not be restrained from employing any person in his business pending the proceedings or until he shall have satisfied the court in which the matter is pending that he has complied with the provisions for insurance or for payment of premium. Such order to show cause shall be returnable before the court or the judge thereof at a time to be fixed in the order not less than twenty-four hours nor more than three days after its issuance. In so far as the same may be applicable and not herein otherwise provided, the provisions of chapter 268 relative to injunctions shall govern these proceedings.

If the employer denies under oath that he is subject to the provisions of this chapter, and furnishes bond with such sureties as the court may require to protect all his employees who may leave or lose their employment after the commencement of the action, then no temporary restraining order or injunction shall be issued pending the trial. If no such answer is filed, or if it appears upon trial unfounded, then the court shall issue an injunction restraining such delinquent employer from employing any person until he shall have satisfied the court that he has taken out such policy or paid such premium.

(3) Liability for compensation shall not be affected or reduced by any insurance, contribution, or other benefit in respect of unemployment due to or received by the employee entitled to such compensation.

(4) The claimant of compensation, in addition to the right to recover the same directly from the employer may enforce in his own name, by proceedings before the industrial commission in conformity with section 112.08, the liability of the employers' mutual employment insurance company, whether the employer has taken out a policy of insurance or not, unless such employer

has been exempted from insuring his liability with the employers' mutual employment insurance company under section 112.10, or the liability of such company in which an exempt employer may have taken out a policy as provided in section 112.10; provided, however, that payment in whole or in part of such compensation by either the employer or a company shall, to the extent thereof, be a bar to recovery against the other of the amount so paid, and provided, further, that as between the employer and a company, payment by either directly to the claimant shall be subject to the conditions of the insurance policy, if any, between them; and that as between the claimant and a company, the failure of the assured to do or refrain from doing any act required by the policy shall not be available to the said company as a defense.

112.10. (1) An employer desiring to be exempted from insuring his liability for compensation in the employers' mutual employment insurance company shall make application to the industrial commission, showing either his financial ability to pay such compensation or else insurance with a company authorized to transact employment insurance under subsection (5) of section 201.04 of the statutes; whereupon the commission by written order may grant, on or after February 1, 1926, such exemption upon payment by the employer of the fee provided in section 112.17. Such exemption shall take effect on the next January first or July first. Until such exemption takes effect, every employer shall have all the rights and obligations of a nonexempt employer including membership in the employers' mutual employment insurance company. As a condition to granting exemption, the commission may require the employer to furnish such security as it may consider sufficient to insure payment of all claims for compensation. Where the security is in the form of a bond or other personal guaranty, the commission may, at any time either before or after the entry of an award, upon ten days' notice and opportunity to be heard, require the sureties to pay the amount of the award, the same to be enforced in like manner as the award itself may be enforced.

(2) (a) The commission may from time to time require further proof of financial ability of any exempt employer or of his insurance with a company authorized to transact employment insurance under subsection (5) of section 201.04 of the statutes. Upon his failure to satisfy the commission of such ability, upon his entering into any agreement for insurance coverage with an insurance company or interinsurer not licensed to operate in this State, upon his wilful failure or that of the insurance company in which he may have insured, to furnish any reports that the commission may require in pursuance of this chapter, or otherwise to comply with provisions of this chapter and the rules, regulations, and orders of the commission pertaining to the administration thereof, the commission may, upon ten days' notice and opportunity to be heard, revoke his exemption and shall notify the employers' mutual employment insurance company of such revocation.

(b) An employer may terminate his exemption January 1 or July 1 of any year upon 10 days' notice to the industrial commission and to the employers' mutual employment insurance company.

(3) If exemption ceases owing to the provisions of subsection (2) of this section, it shall be the duty of the employer to insure according to the provisions of section 112.09. Such an employer shall pay to the employers' mutual employment insurance company, in addition to his current premium, his pro rata share of the excess of premiums over losses and expenses developed during the period of his exemption by the industry or group in which he has been classified by the compensation insurance board for the purposes of this chapter.

(4) An exempt employer may, with the approval of the industrial commission, substitute for his liability under this chapter equal or greater liability to his employees under a plan which will, in the opinion of the commission, give to every employee protection equivalent to or greater than that which is given by this chapter. Any such plan may include the use of the agencies named for carrying out this chapter and shall provide for review by the industrial commission and the courts, as provided in section 112.08, of contested claims arising under such plan. If at any time any such plan or its administration fails to meet the standards herein provided, the industrial commission shall, upon ten days' notice and opportunity to be heard, withdraw its approval, whereupon the employer's liability under such plan shall cease to be a substitute for his liability under this chapter.

112.11 (1) There shall be created, for the purpose of insuring the liability of employers under this chapter and of preventing unemployment, an employers'

mutual employment insurance company. Such company shall be deemed to insure all the liability for compensation of all employers under this chapter who have not been exempted from insuring in such company under the provision of section 112.10. The compensation insurance board shall fix a place in Madison and a time between September 1, 1925, and January 15, 1926, for the meeting of employers required to insure their liability, for the purpose of organizing and incorporating the company, and shall give public notice of such meeting at least thirty days in advance. Each employer or his authorized agent shall be entitled at such first meeting to one vote for each one hundred employees or fraction thereof. The meeting shall provide for incorporation as a mutual insurance company and the provisions of chapters 201 and 205 relating to mutual insurance companies writing workmen's accident compensation insurance shall apply so far as not inconsistent with the provisions of this chapter. The member of the compensation insurance board chosen by the board to preside at the meeting shall pass upon the credentials and voting rights of persons attending the meeting.

(2) Not later than February 1, 1926, the employers' mutual employment insurance company shall collect and every employer who would then be required to insure with the company if the requirement of insurance were already in effect, shall pay a deposit premium of at least fifty cents for each employee on his pay roll in the calendar month preceding that in which the organization meeting of the employers was held, which sum shall be credited as prepayment of premiums.

(3) During the period from July 1, 1926, to December 31, 1929, if the assets of said employer's mutual employment insurance company fall below the net reserve and other liabilities of the company, as determined by the compensation insurance board, the compensation insurance board shall temporarily reduce the periods for which compensation shall accrue under this chapter to such reasonable periods as may secure the solvency of such company.

112.12. (1) The employers' mutual employment insurance company and companies insuring the liability of employers exempted under section 112.10 shall make such reports as the compensation insurance board may require. The compensation insurance board shall prescribe the forms and shall make rules governing the filing and making of such reports.

(2) The employers' mutual employment insurance company and companies insuring the liability of employers exempted under section 112.10 shall establish separate funds by groups of industries, as may be directed by the compensation insurance board, so that each of such groups of industries shall bear approximately the cost of its own unemployment.

(3) The employers' mutual employment insurance company and companies insuring the liability of employers exempted under section 112.10 shall have authority, subject to the approval by the compensation insurance board, and in so far as it does not conflict with the authority hereinafter granted to the employment insurance rating bureau—

(a) To classify industries of this State that are subject to employment insurance into proper classes for employment insurance purposes;

(b) To make inspections of risks and to apply thereto an experience rating system;

(c) To establish charges and credits under such system;

(d) To provide for refunds to employers on the basis of unemployment experience;

(e) To investigate unemployment conditions and other material facts in connection with compensation risks and to promote regularity of employment and to prevent unemployment.

(4) Every contract for the insurance of the compensation herein provided for or against the liability therefor, shall be made subject to the provisions of sections 112.01 to 112.20, and provisions thereof inconsistent with sections 112.01 to 112.20 shall be void. Such contract shall be construed to grant full coverage of all liability of the assured under and according to the provisions of sections 112.01 to 112.20, notwithstanding any agreement of the parties to the contrary unless the industrial commission has theretofore by written order specifically consented to the issuance of a contract of insurance on a part of such liability.

(5) No company shall enter into any such agreement unless such company shall have been approved by the commissioner of insurance, as provided by law.

(6) For the purpose of sections 112.01 to 112.20, each employee shall constitute a separate risk within the meaning of section 201.17 of the statutes; provided that no company organized by employers under subsection (5) of section 201.04 shall be licensed or authorized to effect such insurance unless at least five employers shall join in the organization of such company and unless such company shall have in force or put in force simultaneously insurance on at least one thousand five hundred separate risks.

112.13. Every company transacting the business of insurance of loss due to unemployment in this State, including the employer's mutual employment insurance company, shall be a member of a bureau to be maintained for the following purposes:

- (1) Subject to the approval of the compensation insurance board—
  - (a) To classify industries of this State that are subject to employment insurance into proper classes for employment insurance purposes;
  - (b) To make inspections of risks and to apply thereto an experience rating system;
  - (c) To establish charges and credits under such a system;
  - (d) To provide for refunds to employers on the basis of unemployment experience;
  - (e) To investigate unemployment conditions and other material facts in connection with compensation risks and to promote regularity of employment and to prevent unemployment.
- (2) To assist the compensation insurance board and companies in making and approving rates and in carrying out the insurance features of this chapter.

112.14. The compensation insurance board shall fix a place and time within thirty days after the organization of the employers' mutual employment insurance company, for the purpose of organizing the bureau and shall give notice of such meeting at least ten days in advance to all insurance companies authorized to transact employment insurance in this State. Each such company shall be entitled at such first meeting to one vote. The bureau shall make by-laws for its government and for the government of its members. Such articles and by-laws and all amendments thereto shall be filed with and approved by the compensation insurance board and shall not be effective until so filed and approved. Such bureau shall admit to membership any company authorized to transact employment insurance in this State. The charges and services of such bureau shall be equitable and nondiscriminatory as between member companies.

112.15. The provisions of sections 205.01 to 205.26, relating to the accident compensation insurance rating bureau and companies writing accident compensation insurance, shall apply to the employment insurance rating bureau and companies transacting employment insurance, in so far as they do not conflict with the provisions of this chapter.

112.16. (1) The minimum pure premiums which any company insuring loss due to unemployment shall charge, shall be subject to approval by the compensation insurance board and shall not be effective until approved by the board. It shall approve only of minimum pure premiums that are fair and adequate for the various industries to which they apply over a period of years and which do not discriminate unfairly between risks or industries. Such premiums shall be modified by such a system of experience rating as the compensation insurance board may approve, which shall not be effective or used until so approved. The application of such system shall not discriminate unfairly between risks or industries. The board shall also approve of maximum and minimum expense loadings to be incorporated in premiums collected on such business in this State.

(2) The compensation insurance board, either upon its own motion or upon written complaint of any employer who is aggrieved by any rate, rule, or classification affecting him made by any company authorized to write employment insurance or by the rating bureau, shall have power to review the acts of such company or rating bureau and to make findings and orders requiring compliance with the provisions of this chapter. The proceedings shall be governed by the provisions of section 205.11 of the statutes and the findings and orders shall be subject to summary review by the circuit court of Dane County, as provided in said section.

112.17. (1) Ten cents of each one dollar of total premium received under the provisions of this chapter by any insurance company authorized to transact employment insurance, shall be paid to the treasury of the State of Wisconsin.

sin. The amount of such payments due to the State of Wisconsin shall be determined by the compensation insurance board and, upon certification by the compensation insurance board to the State treasurer, shall be payable as a debt to the State at such times and intervals as the compensation insurance board may direct.

(2) An equivalent annual fee determined by the compensation insurance board, shall be paid by exempt employers who have not insured their liability under this chapter. The compensation insurance board, after a hearing, shall classify every such employer in the industry or group to which he would belong if he were insured in the employers' mutual employment insurance company and shall determine his fee at ten per cent of the estimated amount of the total premium at the manual rate exclusive of experience rating, which he would owe to the employers' mutual employment insurance company but for his exemption. This fee shall be payable in advance to the treasury of the State of Wisconsin in the month of January (or the first month of the employer's fiscal year, if the compensation insurance board shall so permit), except as provided in section 112.10. At the end of the calendar year or the employer's fiscal year, such employer shall furnish the board with a true statement of his actual payments to the State of Wisconsin during the said calendar or fiscal year and with information from which the compensation insurance board may determine the total premium, at the manual rate inclusive of experience rating, which he would owe but for his exemption. If the actual advance payment for the year is in excess of the amount due, the difference shall be refunded or deducted from the fee for the succeeding year. If the payment is less than the amount due, the difference shall be payable at the same time as the fee for the succeeding year. The orders of the board deferring fees shall be subject to summary review by the circuit court of Dane County as provided in section 205.11.

(3) Sums paid into the State treasury under the provisions of this section are hereby appropriated to the industrial commission and the compensation insurance board, under regulations to be prescribed by the State board of public affairs, for the use of the industrial commission and the compensation insurance board in meeting expenses incurred in administering this chapter and in operating free employment agencies.

112.18. The industrial commission shall appoint a board, to be known as the "employment advisory board," consisting of one member at large who shall act as chairman, and an equal number of members to represent respectively employers and employees, to be selected from lists submitted for that purpose by employers and employees. The board shall meet on call of the industrial commission, and shall assist the industrial commission without pay, except for expenses, in investigations, determinations, and general administration of this chapter.

112.19. It shall be the duty of the industrial commission, the commissioner of insurance, and the compensation insurance board, within their respective jurisdictions, and they shall have power, jurisdiction, and authority, to make all investigations, classifications, rules, regulations, and orders, to require all reports from employers and insurance companies reasonably necessary to enforce the provisions of this chapter. Such investigations, classifications, rules, regulations, and orders and any action, proceeding, or suit to set aside, vacate, or amend any such order of the industrial commission, the commissioner of insurance, or the compensation insurance board, or to enjoin the enforcement thereof shall be made pursuant to the proceedings in sections 101.01 to 101.27, or pursuant to the proceedings in sections 200.01 to 200.16, or pursuant to the proceedings in sections 205.01 to 205.11, as the case may be, which sections are hereby made a part hereof, so far as not inconsistent with the provisions of sections 112.01 to 112.20, and every order of said industrial commission, commissioner of insurance, or said compensation insurance board shall have the same force and effect as the orders issued pursuant to said sections 101.01 to 101.27, sections 200.01 to 200.16, and sections 205.01 to 205.11.

112.20. (1) If, for the purpose of obtaining any compensation either for himself or for any other person, or for the purpose of avoiding any payment to be made by himself under this chapter, or enabling any other person to avoid such payment, any person knowingly makes a false statement or false representation, he shall be guilty of a misdemeanor, and upon conviction he shall be liable to imprisonment for a term not exceeding three months, with or without hard labor, or shall be fined an amount not exceeding five hundred dollars, or both.

(2) Any person who buys, sells, or offers for sale, takes or gives in exchange or pawns or takes in pawn, any document, paper, or card provided under the regulations of the industrial commission for recording the facts upon which the claims of employees to compensation may be determined, shall be fined an amount not exceeding fifty dollars.

(3) If any employer refuses or neglects to comply with any of the requirements of this chapter or the regulations, rules, and orders made thereunder, or if any employer solicits, receives, or collects any money, or deducts or attempts to deduct from the wages or other remuneration of the employee, either directly or indirectly, for the purpose of discharging any part of the employer's liability under the provisions of this chapter, he shall forfeit ten dollars for such offense. Each day's violation of continuing offense shall be a separate offense.

(4) If any company, rating bureau, or any agent or other representative of any company or rating bureau fails to comply with or is guilty of any violations of any of the provisions of this chapter, or of any order or ruling of the commissioner of insurance or of the compensation insurance board made in accordance with this chapter and with sections 205.01 to 205.06, and 205.11 of the statutes, such failure to comply or such violation shall be punished by a fine of not less than fifty nor more than five hundred dollars. In addition thereto, the license of any company, other than the employers' mutual employment insurance company, or of any agent or other representative of any company or rating bureau guilty of such violation may be revoked or suspended by the commissioner of insurance.

Sec. 2. Subsection (5) of section 201.04, section 205.01, and subsection (9a) of section 101.10 of the statutes are amended to read:

"(201.04) (5) *Liability insurance*.—Against loss or damage by the sickness, bodily injury, or death by accident of any person, against loss or damage to the property of any person by accident, and against loss due to unemployment, for which loss or damage the insured is liable."

205.01. The word "company" whenever used in this chapter means any insurance carrier authorized, by license issued by the department of insurance, to transact the business of workmen's compensation insurance or insurance against loss due to unemployment in this State. The phrase, "merit or experience rating" shall, for the purpose of employment insurance, include experience rating. Reference in this chapter to companies writing workmen's compensation insurance shall apply to companies writing insurance against loss due to unemployment.

101.10. (9a) Any county, city, town, or village may enter into an agreement with the Wisconsin industrial commission for such period of time as may be deemed desirable for the purpose of establishing and maintaining local free employment offices, and it shall be lawful for any county, city, town, or village to appropriate and expend the necessary money to permit the use of public property for the joint establishment and maintenance of such offices as may be agreed upon.

The industrial commission may establish such free employment offices as it deems necessary to carry out the purposes of sections 112.01 to 112.20 and all expenses connected with the conduct of such offices shall be charged to the appropriation to the industrial commission in subsection (3) of section 112.17.

Sec. 3. The provisions of sections 112.09, 112.11, 112.12, and subsections (1), (2), and (3) of section 112.10 shall be inseparable from one another, but separable from all other provisions of this act. If the above enumerated provisions shall for any reason fail, all other provisions relating to exempt employers shall apply to all employers.

Sec. 4. This act shall take effect upon passage and publication.

## UNEMPLOYMENT COMPENSATION PLANS IN THE UNITED STATES

[Telegram]

NEW YORK, N. Y., February 7, 1929.

JOHN R. COMMONS,  
Pouchatan Hotel:

Re letter sixth concerning preliminary reports of February, March, and April, 1928 issue, we consent that you submit them at Senate committee hearing conditional that corrections may later be made. These reports were distributed as

preliminary drafts to be checked for accuracy by contributors and authorities, and will be published in book form later this year by us in comprehensive worldwide study of various form of unemployment compensation. Miss Mary B. Gilson and Dr. Bryce M. Stewart are the authors. Corrections thus far indicated are of relatively minor character, but if any parts are published as Government documents, they should be subject to such corrections. If they are regarded as valuable by Senate committee, you may submit them subject to limitations above, but permission to use them for any other purpose can not now be authorized. You may quote this telegram.

INDUSTRIAL RELATIONS COUNSELORS (INC.),  
By A. H. YOUNG.

### VOLUME I. COMPANY PLANS—PRELIMINARY REPORT

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#### FOREWORD

Every industrial depression of the last quarter century has given rise to a somewhat short-lived interest in unemployment and a brief advocacy of such relief measures as employment exchanges, the systematic release of public works contracts, unemployment insurance, and various devices for the control of the business cycle.

The depression of 1920-1921 was noteworthy in that it marked not only the first determined effort for the enactment of unemployment insurance legislation in this country, but also the establishment of most of the American plans of unemployment compensation by organized industries, trade-unions and individual employers.

These experiments attracted interest at the time and a considerable literature describing their provisions and procedure has grown up, but because of their brief history little has been written as to actual experience. In the period since their inception, adoption of labor-saving machinery and improvements in management technique have proceeded at an unprecedented rate and it has been discovered that prosperity and increased productivity may also have their bread lines. The general trend and manufacturing employment has been downward since 1920 while production has increased, and though some or all of the workers released may have been absorbed in other lines (a matter on which we have little quantitative data) during the lag between the two processes may have involved much suffering. This "technological" unemployment has been reinforced by that involved in the slackening of a number of industries in the last six months or more and evidences are at hand of a renewed consideration of the subject of unemployment on the part of industrial leaders and social agencies. This situation would seem to lend a timely interest to the study of unemployment compensation of which this preliminary report on American experience is a part.

The entire study will be issued later in more complete form as one of the research series of Industrial Relations Counselors (Inc.). Information concerning the operation of foreign laws will be included following visits to the countries which have such measures. It is hoped that the final report will be of practical use in the consideration of unemployment and of the efficacy of unemployment insurance as one approach toward the solution of this problem.

An effort has been made to include all plans in the United States which are primarily for the relief of unemployment. There are thus omitted plans aimed solely at the stabilization of employment and those in which payments are merely discharge bonuses. For the same reason the loan fund of the General Electric Co. and the pension savings fund of the Joseph & Feiss Co. are not covered, although both of them may be drawn on to tide over the emergency of unemployment. Neither has payment of full week's wages to casual workers who may only work a few days in the week—as, for example, is the case with some of the Chicago packers—been considered within the scope of this report.

Abandoned and proposed plans have been discussed along with the active ones.

Neither employers nor labor leaders have yet awakened to the value of consistent record keeping as a guide for policy and employment, and unemployment statistics in the United States are conspicuously lacking. In few

companies is there a comparable basis for measuring adequately the results of unemployment compensation. The information assembled is therefore presented without any attempt at evaluation. In the final report common factors running through all of the plans will be examined and some indication given as to their accomplishment.

Practically all of the data presented in this report have been assembled through investigation at the headquarters of the companies and industries involved and supplemented by correspondence with persons directly responsible for the administration of the plans. In addition, advice and suggestions have been obtained from competent authorities. A careful examination of all available reports previously published has been made and numerous misstatements have been discovered, many of them due to reliance upon earlier reports rather than upon original sources. Each of the descriptions has been examined by persons in the companies or industries involved and indorsed as accurate; it is hoped that any errors which may have crept in will be corrected and subsequent experience added when the final study is published. Comments and suggestions are solicited from all who read this preliminary report.

The descriptions of the plans have been grouped as follows: (1) Company plans; (2) Joint agreements; (3) Trade-union out-of-work benefits. The company plans have been arranged chronologically. The joint agreements have been arranged chronologically by industry.

In the final report which will be brought up to date so as to include data on all phases through 1928, there will be included (a) additional data concerning trade-union out-of-work benefits, through the courtesy of the research department of the American Federation of Labor, which is now undertaking to assemble information covering such plans; (b) a description of the plan of the Brown & Bailey Co., of Philadelphia, which has been so recently adopted that there has been practically no experience to report; and (c) a description and abstract of proposed laws covering unemployment compensation or insurance in the six States that have considered such legislation. (Item C is presented in this report.)

#### COLUMBIA CONSERVE CO., INDIANAPOLIS, IND.

##### BACKGROUND

The Columbia Conserve Co., of Indianapolis, is engaged in canning soups, chili con carne, chicken a la king, chop suey, and bean sprouts. One of the members of the family owning the plant is the active manager. This company is noted for its excellent working conditions and for its unique system of profit sharing, for its complete control by those directly engaged in production and its provision for ultimate ownership by them, as well as for its almost complete substitution of salaries for wages. The last-named feature is so basic to the unemployment compensation that it will be described later in some detail. In 1927 the average number of salaried employees was 81, constituting 84.4 per cent of the total number of employees. In January, 1928, there were 102 salaried workers, or 89.9 per cent of the total number of employees. The number of workers has varied in the last two years from 93 in June, 1927, to 294 in September, 1928.

Total man-hours show wide variations also. Previous to the adoption of the profit-sharing plan the normal hours were 55 a week. A 50-hour week was put into effect in 1918, and although the hours are now only 45 a week, longer hours are worked during peak loads when the council so decides. Salaried workers work longer hours when the occasion demands, without extra pay, while wage workers are paid for overtime work. During the early years of the plan there was great seasonal variation in hours, a 70 or 80 hour week being worked at the peak of the season. The length of hours has been reduced by better management, and in 1924, a year of unusually great output, 60 hours a week was the maximum number of hours worked. An unusual feature in this plant is that office workers work the same hours as the workers in the factory. Vacations are three to four weeks in length, with full pay for salaried workers.

The plant is closed on the following holidays: New Year's, Fourth of July, Thanksgiving, and Christmas.

Many mechanical devices and improved methods have been introduced which have reduced the required number of workers and the cost of operation. Workers have shown themselves eager and inventive in devising methods even though they result in reduction of force.

There is a works council consisting of both salaried employees and wage-workers. Both classes of workers are eligible and have equal votes. The one exception, exercised but once, is the right of employees who have been employed more than a year to call for a revote, in which the workers of shorter length of service do not participate.

This company has introduced a form of family wage payment. The minimum weekly wage for a married man or woman whose wife or husband is not a wage earner also and who has children dependent upon him or her is \$28.50. The minimum weekly wage for a single worker is \$19. One dollar a week is paid for each child under 16 up to a total income of \$32.50.

Stabilization measures have consisted in introducing new products which can be prepared during dull seasons, such as pork and beans and chili con carne.

In April, 1917, the president and part owner of the company, William P. Hapgood, proposed a plan of conducting business which has been in operation ever since. This plan included the phases of industrial relations already mentioned. In June, 1918, the original plan which applied to wage earners as well as salaried employees was altered so that only the latter were eligible to profit sharing and consequently to the employment guarantee. Except for this one modification of the plan there have been no changes since its installment.

##### PROVISIONS OF THE PLAN

A yearly guaranty of full salary for 52 weeks, including vacations, is given to every office and factory employee who is elected by his fellow workers to the salaried group. People who are not placed on this salary basis of pay, but remain wage earners, are guaranteed 50 hours' employment a week at a fixed hourly rate during the period they are employed. These workers belong, as a usual thing, to two classes: Those who are hired during the peak of a season and are not employed much more than four consecutive months, and those who have not as yet proven themselves satisfactory to the rest of the organization, regardless of their length of service.

The plan provides that in case it becomes necessary to discharge a salaried worker because he is not satisfactory, he is paid a discharge bonus of two weeks' pay.

Workers are transferred according to departmental needs, their salaries not being affected by such transfers.

If, because of stoppages or some other emergency beyond the control of the workers, the plant can not furnish a full day's work to a wage earner, he is nevertheless paid a full day's wage.

The plan now provides for automatically considering for membership in the salaried class every wage worker whose length of service amounts to six months, but an obviously desirable worker may be admitted to that class much sooner. Additional members are thus added to the salaried group except at rare intervals when business does not warrant an increase in the permanent force. It is increasingly desired by the present salaried group to retain in the employ of the company only potential salaried workers and to weed out employees who do not show themselves worthy of being included in this class.

##### ADMINISTRATION

Promotions and demotions from one class of workers to another are determined by the works council.

The council also handles all matters relating to discharge, it being impossible to discharge a salaried employee without a vote to the council. A wageworker may be discharged by his foreman, but he may appeal to the council for a hearing of his case. In slack times wageworkers are laid off, but salaried employees are invariably retained on the pay roll.

Salaried workers are paid weekly, by check, for 52 weeks a year.

##### SUMMARY OF EXPERIENCE

Inasmuch as all costs attendant upon the unemployment guaranty are charged to current operating expenses and are not separated from the general expense accounts, it is impossible to furnish any data showing the cost of guaranteeing employment.

Although when the employment guaranty first went into effect some of the less responsible workers took advantage of it by remaining away from work without sufficient reason, this abuse was soon checked by the censure of their fellow workers.

As has been said, in dull periods wageworkers are the first to be laid off. In 1921, when business depression was very acute, only three salaried workers were laid off, and since that time no salaried worker has been released because of slack work. With the exception of 1921, it has always been possible to keep salaried employees busy on cleaning or repairing when they have no work on their regular jobs.

While it is not possible to submit data covering the entire life of the employment-guaranty plan, the available figures for 1926 and 1927 show fluctuations in numbers of workers, in man-hours worked, and in pay roll. The maximum number of employees during these two years was 294 in September, 1926, and the minimum number was 93 in June, 1927, a difference of over 200. An example of the variation in man-hours is shown by the fact that 94 workers worked 16,219 hours in May, 1927, while 93 workers worked only 10,341 hours the following month, owing to a partial shut-down.

The number of salaried workers in June, 1927, was 90 and the following month, 102, and the total number of workers rose suddenly from 93 to 123 during those two months. One of the most striking fluctuations in the number of employees was from 160 in August, 1926, to 294 in September, 1926, while the hours of work more than doubled during that period. (See Table 1.) The sudden ripening of tomatoes or some similar emergency in relation to perishable food products often accounts for marked fluctuations.

As has been stated, stabilization measures have consisted in introducing new products. In 1908 only 7 per cent of the total output was handled during the first six months of the year, but with the new lines added, the following results were obtained:

- 1923, 23 per cent of total output produced first six months.
- 1924, 20 per cent of total output produced first six months.
- 1925, 22 per cent of total output produced first six months.
- 1926, 24 per cent of total output produced first six months.
- 1927, 29 per cent of total output produced first six months.

In January, 1928, Mr. Hapgood said:

"I believe that regularity of employment is absolutely necessary in order to secure stability of attendance, intelligent cooperation in the management of the business, and devotion to its welfare. It is the first step to the making of a fine morale both as workers and citizens."

One of the workers who has been with the company since 1918 and is known among his fellow employees for his frankness expressed the following opinion of unemployment compensation:

"Our employment guaranty has been to me and many of my fellow workers a medium through which we could look into the future."

"We, as workers, with the fear of unemployment removed, have made many steps forward. Our brain, which in the past was blurred by worries caused by the uncertainty of employment, is now becoming active. Those mechanically inclined have developed new machines and ideas to increase production and save human energy. Social problems have become interesting because of our ability to think clearer. This has brought us to the point where we are cooperative, working as a group rather than as individuals."

TABLE 1.—Number of workers and amount of pay roll, Columbia Conserve Co.  
PERSONNEL

Month	Wage workers at end of month		Salaried employees at end of month		Total employees at end of month		Total man hours during month	
	1926	1927	1926	1927	1926	1927	1926	1927
January.....	12	7	94	97	106	104	14,522	17,307
February.....	26	13	94	96	120	109	18,879	18,634
March.....	25	5	94	100	119	105	18,755	21,910
April.....	22	5	93	98	115	103	23,451	16,636
May.....	21	4	94	90	115	94	19,321	16,219
June.....	3	3	99	90	102	93	8,512	10,341
July.....	3	21	98	102	101	123	17,638	18,185
August.....	63	21	97	102	160	123	22,062	20,789
September.....	197	24	97	102	294	121	46,643	31,472
October.....	60	26	97	100	157	126	43,526	24,380
November.....	7	-----	98	-----	105	-----	24,530	-----
December.....	7	-----	98	-----	105	-----	20,891	-----

TABLE 1.—Number of workers and amount of pay roll, Columbia Conserve Co.—Continued

Month	Wage workers		Salaried employees		Total	
	1926	1927	1926	1927	1926	1927
January.....	\$435.96	\$456.70	\$8,919.55	\$9,638.80	\$9,354.51	\$10,095.50
February.....	1,188.51	797.38	9,022.30	9,629.46	10,210.81	10,426.84
March.....	1,386.55	575.60	9,029.00	12,050.60	10,415.55	12,636.20
April.....	1,593.62	317.00	11,639.45	9,783.50	13,233.07	10,100.50
May.....	1,218.07	326.74	12,508.50	10,291.93	12,726.57	10,618.67
June.....	136.60	200.84	7,062.50	10,745.80	7,199.10	10,946.64
July.....	235.00	982.61	11,943.10	9,325.18	12,178.10	10,307.79
August.....	1,680.92	1,334.15	9,567.45	9,530.30	11,248.37	10,864.45
September.....	11,212.07	2,239.13	12,239.97	11,669.05	23,452.04	13,908.18
October.....	4,317.91	1,904.22	9,996.30	9,146.75	14,314.21	11,050.97
November.....	2,920.81	-----	9,677.00	-----	12,597.81	-----
December.....	534.72	-----	12,137.52	-----	12,672.24	-----

#### DUTCHESS BLEACHERY (INC.), WAPPINGERS FALLS, N. Y.

##### BACKGROUND

Because the Dutchess Bleachery (Inc.), of Wappingers Falls, N. Y., installed a unique partnership and profit-sharing plan of which its unemployment compensation is a part, this organization has been the object of much attention and interest.

On August 8, 1918, Harold A. Hatch, vice president of Deering Milliken & Co. (Inc.), described the partnership plan to the operatives of the Dutchess Bleachery (Inc.). The unemployment fund was established in December, 1919, and benefits were first paid in February, 1920. Mr. Hatch states it was the result of "a desire to protect the regular employees as far as financially possible against the fear of unemployment." Through mass meetings and the publication of a news-sheet the employees were informed, from time to time, of the provisions of the plan.

The controlling company, Deering, Milliken & Co. (Inc.), some time after the partnership plan was inaugurated by them at the Rockland Finishing Co., a print and dye works at Garnerville, N. Y., and at the Dutchess Bleachery (Inc.), installed unemployment funds at both of these plants. The fund is now in operation in the latter plant only.

The Dutchess Bleachery (Inc.), is a bleachery and dye works. Inasmuch as it sells service and not merchandise, it is largely dependent upon the conditions of the textile industry for continuity of work, stabilization being therefore largely controlled by conditions in another industry.

In May, 1927, there were 547 employees. The employment superintendent estimated that in 1926 about 85 per cent of the employees, exclusive of office workers, were eligible for unemployment compensation, and of those eligible there were 288 actual beneficiaries.

Only one group of employees, the folders, are members of a trade union. Owing to the nature of the work but few skilled workers are required.

The normal working week is 48 hours. Records show that some men have worked 100 hours a week in emergencies, but no adequate records of regular hours worked and overtime are available. Vacations with pay have been abandoned, at least for the present. The plant is closed on the usual six holidays.

The fact that the company was making unusually large profits at the time of the establishment of the plan probably had something to do with the generous provisions embodied in it. In 1920 the Dutchess Bleachery (Inc.) was very conservatively capitalized at \$1,350,000, entirely represented by 27,000 shares of stock. Because of subsequent depression in the textile trades and the consequent drain on the unemployment fund, only \$18,936 remained in the fund on October 31, 1927.

## PROVISIONS OF THE PLAN

1. *Source of fund.*—The unemployment fund is, as has been noted, part of a general plan for the distribution of funds between dividends and wages. A dividend of 6 per cent is first paid from net profits to invested capital, after which a sinking fund, sufficient to provide 6 per cent on the invested capital, is set aside as a reserve fund for the payment of dividends in years when they are not earned. (In 1921, the amount required to pay 6 per cent on invested capital was approximately \$85,000.) After these amounts are set aside, a further fund not to exceed the same amount is set aside to establish a sinking fund to reimburse workers when the company can not furnish employment.

As stated in the handbook, issued by the plant:  
"At the end of each year the board of directors of the Dutchess Bleachery (Inc.), shall set aside from the net profits of the company, if any, a sufficient sum to raise the sinking fund for capital's minimum wage to an amount equal to 6 per cent on the invested capital. If, and after, this has been accomplished, a further sum shall be set aside to raise the sinking fund to be drawn upon by labor in times of unemployment to \$85,000."

It was understood when the unemployment sinking fund was set aside that it was to bear a ratio to capital invested and was to be increased and decreased accordingly. If the fund exceeded the requisite amount at the end of the year, the excess was to be distributed as profits to officers and employees of the company.

Originally the plan provided that the board of directors should first set aside 15 per cent of the net profits of the company for an employee sinking fund, before 6 per cent was set aside as a return to invested capital; the change was made in January, 1922.

2. *Definition of unemployment.*—A worker is considered to be unemployed in the sense of being eligible for unemployment benefits when the plant or any department of the plant is closed temporarily on account of business depression or other cause not within the control of the operatives.

Holidays are not counted as unemployed time when employees work 48 hours a week, but they are so regarded in case the week is 35 hours or less.

3. *Eligibility for benefit.*—Every employee on a piece-work or hourly basis of pay is covered by the unemployment fund plan. Twelve months of consecutive service with the company must precede drawing of benefits; prior to 1922 the time was two months.

Temporary workers are sometimes hired with the understanding that their work is to be temporary and that they are not eligible for benefits. The limit of time a worker is considered temporary is 12 months; at the end of this period he is transferred to the permanent pay roll.

If a worker secures employment elsewhere during periods of unemployment at the Dutchess Bleachery he does not forfeit any part of his benefit. If he refuses to accept a job assigned to him in the plant in lieu of his own job, he forfeits not only his unemployment benefit but his job.

4. *Scale and duration of benefit.*—If an employee works less than 48 hours a week he is given half pay for any unemployed time within that limit. If, however, the fund drops below \$50,000 he is allowed a benefit for the lost time based on a 35-hour instead of a 48-hour week, but in no case shall a person eligible to benefit receive less than 24 hours' pay per week unless the fund becomes wholly exhausted. (The change to the 35-hour basis was made in 1922.) No provision is made for suspending the payment of benefits unless the fund is exhausted. It is stated in the "Rules and Regulations" concerning the sinking funds that the amount of \$50,000 is understood to bear a ratio to the pay roll and it is therefore possible to increase the amount in case of an appreciable increase in the pay roll.

In computing hours worked per week for purposes of paying unemployment compensation, overtime is not counted.

All half-time pay is based on an average weekly wage for hour workers and on an average of the past month's wages for pieceworkers. Length of service after 12 months and number of dependents do not affect the amount of benefit.

5. *Transfers.*—If a worker is transferred temporarily to a job paying a lower rate, he is paid the rate of the new job. The employment manager states, however, that "sometimes he prefers not to work at all unless he gets his old rate, so occasionally, in such cases, he is paid his old rate for a short time job." If, during the time the man is working on a job not his own, the plant is closed down for lack of work, his unemployment benefit is invariably

based on his old job rate. If a department is discontinued, no benefit is paid to people laid off permanently.

There is no formal method of training workers to do different jobs, the foreman in each department being held responsible for teaching workers.

## ADMINISTRATION

The routine in relation to the fund is handled by the paymaster. Appeals in case of any dispute are taken to the board of management, consisting of 12 members, 6 of whom are elected by the board of directors and 6 by the board of operatives from among their number.

Until January, 1927, beneficiaries were paid by cash in their regular pay envelopes. After that date payments were made by checks, which were placed in separate pay envelopes marked "Sinking fund."

The board of operatives consists of one member from each department and is elected annually by secret ballot of all employees. Among the activities of the board are the handling of sick benefits, the saving plan, and recreational and educational activities and the initiating of any complaints concerning working conditions, wages, etc.

The board of management deals with controversial questions and plant problems, including hours, wages, grievances, and conditions of employment and discharge, which are referred to them by the board of operatives. As a matter of actual practice, the personnel director usually handles such matters directly, but they may be taken to the board of management by employee representatives for discussion and action if so desired.

The regulations state:

"Any operative discharged for crime or continued neglect of duty shall forfeit the full amount of his or her share of the sinking fund."

"Any operative leaving without due notice of one week, or satisfactory agreement with his or her foreman, shall forfeit the full amount of his or her share in the sinking fund."

## SUMMARY OF EXPERIENCE

Records of the amounts contributed to the fund from time to time and the dates of contributions could not be obtained, but, as has been stated, the amount in the fund at the time of writing this report was \$18,936.55. Both the capital and wages' funds bear interest at 6 per cent and the interest on the unemployment fund has always been used for health benefits until 1926, when these benefits had to be discontinued because of the diminishing of the fund. The health benefits paid out of the unemployment fund were as follows:

	Amount
1920-----	\$79.68
1921-----	2,516.70
1922-----	5,392.84
1923-----	2,535.61
1924-----	2,276.06
1925-----	1,118.00

In a book entitled "Sharing Management with the Workers" <sup>2</sup> the author says: "The employees' sinking fund is in reality an insurance fund against unemployment and disability arising from illness or nonoccupational accidents \* \* \*. One-half of a worker's wages is also paid for the first week of unemployment due to occupational accident, the period not covered by the compensation laws of the State."

The management is unable to furnish records of the amounts paid out from the fund in accident compensation in supplementing State awards.

As has been stated, it was understood when the unemployment sinking fund was set aside that it was to bear a ratio to the pay roll and was to be increased and decreased accordingly. If the fund exceeded the requisite amount at the end of the year the excess was to be distributed as profit to officers and employees of the company. As there has never been an excess since \$85,000

<sup>2</sup> Ben M. Selekman, *Sharing Management With the Workers. A Study of the Partnership Plan of the Dutchess Bleachery (Inc.), Wappingers Falls. New York, N. Y., Russell Sage Foundation, 1924.*

was established as the maximum sinking fund, no distributions have been made.

Records of the amount of overtime worked during the operation of the fund are not available, but for the last week of April, 1927, overtime amounted to 2,035 hours and for the week ending May 14 it amounted to 1,436 hours. Previous to the first of May, 1927, there was an average of 2,000 hours overtime per week. These figures do not include overtime worked by mechanics, power men, nor yard men. Records of average hours per employee worked during a typical week each month in 1925 and 1926 show no consistent seasonal fluctuations. (See Table 2.)

TABLE 2.—Number of employees and hours worked, Dutchess Bleachery (Inc.)

Month	Average number of employees on payroll during a typical week	Total man-hours worked during a typical week	Average hours	Month	Average number of employees on payroll during a typical week	Total man-hours worked during a typical week	Average hours
1925				1926			
January.....	637	34,162	53.6	January.....	460	20,308	44.1
February.....	624	32,052	51.4	February.....	451	20,601	45.7
March.....	605	27,602	45.6	March.....	475	25,819	54.4
April.....	560	23,751	42.4	April.....	478	23,437	49.0
May.....	548	23,986	43.8	May.....	471	21,037	44.7
June.....	532	22,682	42.6	June.....	441	19,697	44.7
July.....	523	23,607	45.1	July.....	444	21,222	47.8
August.....	535	22,960	42.9	August.....	441	18,581	42.1
September.....	484	22,429	46.3	September.....	444	20,935	47.1
October.....	488	20,456	41.9	October.....	448	18,615	41.6
November.....	479	20,366	42.5	November.....	463	19,054	41.2
December.....	467	22,696	48.6	December.....	454	19,278	42.5
Total average.....			45.6	Total average.....			45.4

It is evident that the greatest amounts were paid out in benefits during the first four years after the fund was established. Because of the impossibility of procuring annual figures of the number eligible or any labor turnover data or records of plant or department idle time, it is not possible to state just how far the fund was able to meet the demands on it.

Since June, 1922, when the fund fell below \$50,000, benefits have been paid on the basis of 35 hours a week or less. On this basis every operative receives a minimum of half-time, but not less than 24 hours, when he works 13 hours or less. If he works over 13 hours he is paid for the time he works, plus half the difference between that and 35 hours.

The employment superintendent stated that at times when it is necessary to lay people off for lack of work the company naturally lays off employees of shorter length of service, and consequently amounts of benefits paid out do not reflect acute unemployment in case large numbers of employees ineligible to benefits because of their less than a year's service are laid off.

Records of the total number of employees on the pay roll during a typical week each month in 1925 and 1926 indicate that the greatest number of workers were employed during the first five months of each of those years. (See Table 2.)

In March, 1921, H. A. Hatch, vice president of Deering, Milliken & Co. (Inc.), stated:

"No criticisms, either personal or secondhand, have so far reached me, although I have made repeated inquiries. On the other hand, the advantages of the funds have inspired many favorable comments by operatives. All one can say at present is that this fund has, to date, relieved all members of the partnership from the fear of joblessness. And another thing that can be said now is that we work with a far different and better will with each other than we did formerly, each for himself."

In November, 1921, at the annual meeting of the Academy of Political Science, Mr. Hatch said:

<sup>2</sup> American Labor Legislation Review, Vol. XI, No. 1, March, 1917, pp. 43-44.

"The testimony both from representatives of the operatives and from the managers of the plants is unanimously to the effect that the unemployment funds have so far adequately protected the operatives."

This was said in the face of severe unemployment, but it must also be remembered it was in the early history of the fund.

In a letter from Mr. Hatch, dated July 11, 1927, the statement is made that "the weakness of the plan is that it depends for its fund upon the ability of the individual company to earn in excess of what is considered a fair wage on capital, i. e., 6 per cent. Manifestly, if there are no excess earnings over this amount, the fund becomes gradually exhausted."

In the same letter Mr. Hatch said:

"Although the withdrawals from the unemployment fund have not been large during the past four years, they have been beneficial. I think they have unquestionably reduced our labor turnover."

#### Rockland Finishing Co., Garnerville, N. Y.

(Fund exhausted)

#### BACKGROUND

The Rockland Finishing Co. is, like the Dutchess Bleachery (Inc.), one of the Deering, Milliken & Co. (Inc.), plants. It is a print and dye works, and is located at Garnerville, N. Y.

In November, 1927, there were 650 employees, including factory and office workers. When the fund was established in 1920 there was an average annual total enrollment of 846 of whom 758 were eligible to unemployment compensation.

The general scheme of management of the Rockland Finishing Co. is like that of the Dutchess Bleachery (Inc.), the board of operatives and the board of management having similar powers and the same profit-sharing plan being found in both plants.

Printers, engravers, and folders are the only unionized crafts in this plant.

The first contribution to the unemployment fund was \$100,000 on January 1, 1920, and the first benefits were paid on April 21, 1920. On account of industrial depression and the unusual demands on the fund it was exhausted on June 30, 1923.

#### PROVISIONS OF THE PLAN

The provisions of the plan were the same as at the Dutchess Bleachery (Inc.), except for the amount set as a maximum fund before profits could be distributed, which was \$120,000.

The following notice was posted in the plant on April 21, 1920:

"Payment will be made this afternoon from the employees' fund to such employees who have not worked full time, through no fault of theirs, over the period from January 1 up to April 3. (Viz, half-time for all time lost under 35 hours per week, where a person has not worked at all, or where one-half the lost time added to the time worked does not equal 24 hours per week, the person will be paid sufficient to equal 24 hours in each week.)

"The provision for payment from this sinking fund can best be illustrated from the following:

"1. If an employee works four days—35 hours—or works any part of four days and makes 35 hours nothing is due him from the sinking fund.

"2. If an employee works three days, as follows: Monday, 8½ hours; Tuesday, 8½ hours; Wednesday, 8½ hours; total, 26½ hours. Guaranteed one-half time for time less than 35 hours: 35 hours minus 26½ hours is 8½ hours. Eight and three-fourths times one-half equals 4½ hours. Due from sinking fund, 4½ hours. Total hours, 26½ plus 4½ equals 31½ hours.

"3. If an employee works two days as follows: Monday, 8½ hours; Tuesday, 8½ hours; total, 17½ hours. Guaranteed one-half time for time less than 35 hours: 35 hours minus 17½ hours is 17½ hours. Seventeen and one-half times one-half equals 8½ hours. Due from sinking fund, 8½ hours. Total hours, 17½ plus 8½ equals 26½ hours.

"4. If an employee works one day: Monday, 8½ hours; 35 hours minus 8½ hours is 26½ hours. Twenty-six and one-fourth times one-half equals 13½

<sup>4</sup> Proceedings of the Academy of Political Science, New York, January, 1922, pp. 23-24.

hours. Employee is guaranteed 24 hours, therefore must be paid 24 minus 8¼ equals 15¼ hours from sinking fund. Total hours, 8¼ plus 15¼ equals 24 hours.

"5. If an employee does not work at all he receives pay for 24 hours from the sinking fund."

#### ADMINISTRATION

The plan was administered in the same manner as at the Dutchess Bleachery (Inc.). The board of management, however, consisted of 14 members at Rockland as contrasted with 12 members at the Dutchess Bleachery (Inc.).

Benefits were paid in the regular weekly pay envelopes.

#### SUMMARY OF EXPERIENCE

It is unfortunate that the Rockland Finishing Co. can not furnish a picture of monthly fluctuations in employment, turnover, unemployment compensation, etc., covering the life of the unemployment fund, as this was one of the first companies to establish such a fund, and, even though it was exhausted in a little over three years, detailed experience relating to it would furnish valuable guidance.

Beginning with the first contribution of \$100,000, the fund was finally built up to the sum of \$106,279.95, the dates of contributions being as follows:

Jan. 1, 1920	\$100,000.00
Dec. 10, 1920	2,959.06
Sept. 10, 1921	2,110.86
Jan. 1, 1922	549.63
Dec. 31, 1922	510.77
Oct. 20, 1923	149.63

Total ..... 106,279.95

Operatives were paid half pay on the basis of a 35-hour week.

The amount paid out in benefits during 1920 and 1921 was a severe drain on the fund, as is shown by the following figures:

Year	Average total enrollment	Average annual enrollment of eligibles	Number of beneficiaries	Average annual payroll	Benefits	Cost of benefits in relation to payroll	Average benefits per employee
1920	947	857	590	\$1,113,488.01	\$63,643.19	5.72	\$67.21
1921	857	767	678	930,074.16	35,565.81	3.82	41.50
1922	785	695	640	885,809.32	5,979.32	.68	7.62
1923	804	714	503	547,844.63	1,091.83	.20	1.36

<sup>1</sup> First six months.

The average cost of benefits in relation to pay roll, during the entire life of the plant was 2.6 per cent. The largest sums were paid out in benefits during October, November, and December of 1920, and in January of 1921. During these months \$80,000 was paid out in 13 weeks, every employee who was eligible being guaranteed a minimum of 24 hours' pay per week in spite of the fact that, because of depression in the cotton-textile industry, the plant was almost completely closed down.

Amounts of benefits paid monthly during the existence of the fund were as follows:

Month	1920	1921	1922	1923
January		\$23,802.47	\$483.50	
February		2,428.09	167.47	
March		1,935.35	177.57	
April	\$480.40	1,708.47	262.81	
May	763.23	2,027.26	147.35	\$331.74
June	978.41	1,000.87	731.20	760.09
July	1,140.62	614.04	992.30	
August	1,576.09	488.43	556.31	
September	1,847.32	357.61	2,180.02	
October	2,686.20	82.41	133.19	
November	23,566.26	476.88	93.34	
December	30,804.66	643.93	45.26	
Total		63,643.19	35,565.81	1,091.83

No data are available showing employment fluctuations and labor turnover. The firm reported in October, 1927, "Records of discharges, lay offs and voluntary quits are only kept five years, and such records as would cover that period have already been destroyed." However, one of the executives states, "Although no records are now available we do know positively that at that time the labor turnover was exceptionally low due to the aid received from the unemployment insurance fund. It had a very marked effect upon keeping the turnover at its lowest.

Because no information is available concerning exact periods when the basic week was 48 hours, and when it was 35 hours, it is impossible to estimate how much the reduction of amounts paid out in benefits is due to the reduction of hours paid for and how much is attributable to an increase in employment.

In October, 1927, the executive secretary of the board of management stated, "We still feel that there might be something to this plan even though the depression lasted longer than we expected. Had the idea originated with the company several years previous to 1920, a much larger sinking fund would have been built up and probably would have carried us over the depression. As an industry we are making very marked progress, and we hope that the time will come when we can give the matter of unemployment insurance further consideration."

#### DENNISON MANUFACTURING CO., FRAMINGHAM, MASS.

##### BACKGROUND

The Dennison Manufacturing Co. manufactures boxes, tags, and a great variety of paper novelties including crêpe paper. It is considered one of the most progressive organizations in America, and, with the leadership of Henry Dennison, has shown courage and initiative in management methods and industrial relations policies.

The main factory is in Framingham, Mass.; the other factories are in Marlboro, Mass., and London, England. This report will cover the Framingham and Marlboro plants which are regarded as a unit.

The total number of employees in all plants, stores, and domestic offices was 4,133 in May, 1927, of which number 3,438 were employed in the Framingham and Marlboro plants. There are 3,336 employees covered by the unemployment compensation plan, of whom 2,982 are workers in the Framingham and Marlboro plants. It was only recently that all salaried workers, including those in the score of offices scattered throughout the country and executives in these offices, became eligible for unemployment benefits. Although in actual practice it has not been necessary to consider the question of unemployment in the selling division, these employees are classified as eligible.

Total pay-roll hours have been reduced by a large number of minor installation of improved mechanical devices as well as by improved methods of planning, routing, and scheduling work which have done a great deal to cut down delay time and thus increase productive efficiency. The linotype, monotype, and the Ludlow machines have reduced the force of compositors from 30 to 15. Electric trucks and conveyors have decreased the amount of unskilled labor by a considerable percentage, while improvements in the crêping machine and cutting machine have resulted in cutting down the labor force required by from 20 per cent to 40 per cent. Split operations and the introduction of belt assembly work have also contributed toward the reduction of the number of workers required.

The Dennison Manufacturing Co. is an open shop; the printing pressmen, the electrotypers, the compositors, and the gullotine cutters are organized.

The working week is 48 hours, eight and three-quarter hours, five days a week and four and a half hours Saturday. The regular night crew consisting of about 50 men works a 53-hour schedule, 12 hours on Monday, Tuesday, Wednesday, and Thursday, and five hours on Friday. The night employees themselves requested this division of hours, preferring the longer week-end of leisure to the shorter working night.

There are nine holidays: New Year's Day, Washington's Birthday, Patriot's Day, Memorial Day, Fourth of July, Labor Day, Columbus Day, Thanksgiving, and Christmas. Holidays are not counted as unemployed time.

One week's vacation with pay is granted to all hourly employees with over 10 years' service, and two weeks with pay are given to all hourly employees of 15 years' service. When an employee has been with the firm 25

years he receives pay for holidays and an employee of 30 years' service receives pay up to two full weeks when out on account of illness. Employees on a salary basis receive two weeks' vacation with pay and are also paid for holidays and for sick time not to exceed two full weeks. Vacations are staggered from July 1 to Labor Day and everywhere except the box division departments are kept running with about three-quarters of the crew. Any employee is permitted to take a two weeks' vacation at any time of the year provided it does not interfere with production requirements, but as a matter of fact nearly everyone takes vacations during the summer.

For some years preceding the adoption of the unemployment plan, Henry Dennison, the president of the Dennison Manufacturing Co., had bent every effort toward interesting both his production and sales executives in stabilizing employment. Because of the nature of the product and the traditions surrounding the production and distribution of many of the articles during the holiday seasons, it was a long and arduous process to achieve anything approaching steady employment. The stabilization methods have included planning ahead, budgeting sales, and personnel; educating customers through intelligent salesmen; manufacturing staples for stock; arranging for workers' vacations without pay when they are requested and when the conditions of business permit; weeding out inefficient workers in order that the production of those remaining may be steady and dependable; and other equally important measures. Because of the great diversity of products and the success which has met these efforts toward regularization, seasonal fluctuations are practically nonexistent at present.

By 1916 the peaks of unemployment had been fairly well ironed out, but the directors, foreseeing the possibility of future uncontrollable depressions, and recognizing the impossibility, even with the most careful planning, of completely eliminating the hazards of irregular work, set aside the sum of \$20,000 toward an unemployment fund. 1917, \$35,000 was added; in 1918, \$35,000; and in 1919, \$50,000, making a total of \$140,000, which with interest accruals amounted to \$147,237.18 at the end of 1919.

In 1919 employee representation took form in the organization of a general works committee, and the president of the Dennison Manufacturing Co. referred to it the matter of considering the problems attendant upon unemployment and the spending of the unemployment fund for purposes of relief. The general works committee and the management appointed a conference committee to draw up provisions governing the use of the fund, and on November 15, 1919, this subcommittee presented its recommendations. The plan was put into effect in March, 1920.

The Dennison unemployment fund is closely interrelated with other activities of the organization, in particular with profit sharing and employee representation. The large group of profit sharers, which includes workers and executives of five years or more length of service, insures a widespread desire to conserve the fund, and a healthy works council insures relative fairness in the distribution of benefits and in settling the issues relating to lay offs, transfers, and discharges.

In connection with this plan two things are especially stressed; first, that prevention of unemployment is more important than its relief, and second, that the plan has connected with it no guarantee of permanency. Because of this emphasis on prevention, methods of stabilization have been given an unusual amount of intelligent direction. The term "insurance" is consistently avoided to-day just as it was when the plan was instituted so that there may be no reason for thinking of it as permanent.

In the articles governing the control and use of the unemployment fund it was stated that inasmuch as the company could not entirely foresee the rise and fall in the demand for its product and could not therefore guarantee continuous employment to any fixed number of people at all times, it had done what seemed to it the next best thing, which was "to set aside . . . certain definite sums of money . . . for the partial relief of the distress due to unemployment." It was clearly stated that, while employees could have "no unlimited guaranty against the evils of unemployment," they could at least have "definite and positive assurance concerning the sum of money which stands between them and those evils." The purpose in establishing the fund was thus clearly stated.

The company's attitude toward the unemployment fund has been outlined in the following published statement:

"In the first place, it is not charity; it has a business basis and must rest upon considerations of mutual advantage, with mutual self-respect.

This business basis it must find in securing and retaining better employees, in better work on the part of employees, due to their release from the risk of periodic total loss of income through unemployment, and in a steadier working force due to the abrogation of the risk that the employee will find permanent work elsewhere during times when he is unemployed."

In examining the minutes of the general works committee it is evident that the workers were taken into the full confidence of the firm and that the committee felt their responsibility for working out safe and fair provisions. Both consulted literature on the subject, including a study of the British unemployment act. Because of lack of precedent, they felt their way step by step, and the minutes bear evidence to the amount of thinking and discussion that went into the shaping of provisions and their modification from time to time. The necessity of conserving the fund and of making benefits conform to its size, the purpose of the fund to relieve only when every effort to prevent unemployment had been exhausted, motivate the various measures adopted from time to time in relation to the use of the fund. Alterations in the plan since its inception are discussed elsewhere in this report.

#### PROVISIONS OF THE PLAN

1. *Safeguards of fund.*—The articles governing the control and use of the unemployment fund, as revised April 1, 1922, and now in effect, state:

"The articles relating to rates of compensations shall automatically become amended whenever the amount in the fund falls below \$50,000 or whenever the total disbursements from the fund during 12 consecutive months shall exceed \$50,000."

The following safeguarding machinery is outlined in the above-mentioned articles:

"Whenever the accounting department shall report to the unemployment fund committee that the total amount of money in the fund is less than \$50,000 or that the total disbursements during 12 consecutive months have exceeded \$50,000, then no further disbursements shall be made from the fund according to the rules and rates provided in these articles unless and until one of two things happens: The management and the works committee may reach some new agreement or else the lapse of time or additions to the fund may remove the \$50,000 restriction. Until either of these two things happens the fund shall be disbursed according to the rates and rules which were in effect during January, 1921."

It is further stipulated in the articles of 1922 that "the unemployment fund committee shall keep in touch with the condition of the fund and allow the management and works committee sufficient time to consider its new recommendations before the \$50,000 point is reached. In this way whatever amendments are deemed necessary to conserve the fund may be made without any lapse in the provisions of these articles."

Although originally the unemployment fund was set aside as a special fund and handled by appointed trustees, later it was made part of the general reserve, exactly in the same category as reserves for depreciation and other purposes. Because of this change the profit sharers, who are naturally concerned with the reserves, became deeply concerned in 1927 on account of the increased expenditures for unemployment despite increased business. They therefore directed attention particularly to the costs involved in transferring workers, and as a result various recommendations have been made with the purpose of reducing these costs. The profit sharers naturally see in the reduction of the general reserve fund an ultimate reduction of profits in case it may be decided to renew the fund at some later date. The amount available for unemployment payments at the beginning of 1927 was \$123,495.06, which was in the eyes of those concerned a sufficient signal for action.

In mentioning safeguards it should be noted that the recommendations of the unemployment fund committee in March, 1927, were made, as were those of the special committee on unemployment and the factory accounting committee during the same month, with the idea of putting especial safeguards around the fund. It was recommended at this time that all charges to the unemployment fund be abolished and the expense of unemployment, lay-offs, and transfers be charged one-half to the merchandise committee and one-half to the producing departments. It was also recommended that there be more scientific determination of rates for borrowed workers as well as a more careful follow-up of their production. These recommendations have not yet been made effective, although

the recommended changes are being carefully drawn up "on paper" to show the particular places where heavy expenditures are taking place.

As has been pointed out, no provision is made for increasing the fund and it is therefore of the greatest importance to conserve the present amount available for unemployment benefits.

2. *Definition of unemployment.*—Unemployment in the Dennison plant means not only complete lack of work but also any loss incurred by a worker by reason of his being transferred to another job in his own or another department.

A person is not considered unemployed unless he is laid off for lack of work for one-half day or more. No compensation is paid "for any shut-down ordered or requested by the civil or military authorities or for any absences resulting from a vote, decision, or action by or disability of the employees themselves, individually or collectively." Likewise, "No compensation need be paid for time lost on account of destruction of any portion of the company's property by fire. In the case of unemployment resulting from lightning, earthquake, windstorm, or other act of nature, payments may be suspended or reduced by a majority vote of the unemployment fund committee." The fund is not available for persons who leave voluntarily or are discharged for cause, nor for workers who are hired for temporary work.

When during a period of slack work the majority of workers in a department are desirous of a vacation even without pay, the entire department is laid off without paying unemployment benefits to the minority who may prefer not to take a vacation. This happens in the box division which closes down for vacation two weeks every summer. Inasmuch as the lay-off or vacation is the desire of the majority of the workers in this division, those who do not wish a vacation are not paid unemployment benefits. Usually, however, it is possible to give those people temporary employment in other divisions of the factory.

When workers have to be permanently laid off because the volume of work of a certain class is permanently reduced on account of changes in method, product, or market demand, and employees can not be or are unwilling to be transferred elsewhere, they are given two weeks' notice or two weeks' pay, one week being charged against the operating expenses of the company, and one week against the unemployment fund. When workers are discharged for inefficiency they are given one week's notice or one week's pay. In the case of proved inefficiency nothing is charged against the unemployment fund, but where the case is doubtful the second week's pay may be charged against the unemployment fund. No notice or discharge bonus is required in case of temporary workers, although they are usually notified several days before they are laid off.

3. *Eligibility for benefit.*—At present all employees, including salaried workers except executives, are eligible. Until 1927 salaried workers were not covered by the provisions of the unemployment fund. Another recent change was from no requirement in the matter of length of service before an employee was eligible for benefit, to a requirement of six months' continuous service. This ruling was passed by the general works committee in February, 1926. In connection with this ruling the unemployment fund committee recommended and the general works committee accepted the following:

"In the case of such employees (people of less than six months' continuous service) lay-offs for lack of work may be made, without pay, or, in circumstances approved by the employment department, they may be dropped from the company pay roll. In either case the employees must be informed just what the circumstances are and as to whether or not they may expect further employment and when."

Provision is made for employing temporary workers, who are not eligible for unemployment benefits, whenever the exigencies of the work demand. Sometimes workers remain on the temporary list for several months.

A worker must accept what the management considers suitable employment subject to appeal to the unemployment fund committee. If he refuses to accept such work, either with the company or elsewhere, no compensation is paid.

4. *Scale and duration of benefit.*—The history of the plan as disclosed in the minutes of the general works committee shows that much discussion has centered about the percentage of earnings which people with and without dependents should draw in periods of unemployment. At present in case of lay-off, people with dependents get 80 per cent of their earnings, based on their preceding six weeks' average, and people without dependents get 60 per cent of their earnings, based on the same average. Dependents do not affect

rates paid to transferred workers. All statements in regard to dependents must be made in writing and signed by employees before unemployment begins. In cases where employees claim more dependents than they have, they lose all benefits.

In March, 1927, the general works committee recommended the following scale in cases of lay-offs:

- 90 per cent of the average wage, 4 dependents or more.
- 85 per cent of the average wage, 3 dependents or more.
- 80 per cent of the average wage, 2 dependents or more.
- 75 per cent of the average wage, 1 dependent or more.
- 60 per cent to single man or married man with no dependents.

This recommendation was rejected by the joint committee on the basis that it would involve too much bookkeeping. The general works committee later ratified this decision, but the suggestion has again been brought up for consideration.

When it is not a case of lay-off, workers are transferred to other work in their own departments or to other departments. Details concerning their rates under these circumstances are described under "transfers." (See pp. 38-39.)

The regulations of the fund provide that after six days' payments have been made to any employee during any one continuous lay-off, further payments may be stopped by the unemployment fund committee, "unless the employee can convince the management or a majority of the unemployment fund committee that he has made a reasonable effort to secure a job elsewhere." Executives of the company state, however, that in actual practice cases where employees are out of work more than two or three days at a time are negligible. For this reason the provisions concerning temporary work outside are seldom exercised. In fact, one official of the company states that the provision relative to laid-off employees who secure temporary work outside "has never been taken advantage of until 1927, and then only in a very few cases." This provision includes paying a work unemployment benefit sufficient to bring his outside earnings up to an amount equal to 90 per cent of his average earnings at the Dennison plant, plus 10 cent of the wage he is securing outside.

Overtime is not counted in computing for unemployment compensation purposes the 48-hour week which is the guaranteed working week. Overtime begins after eight and three-quarters hours a day, or four and a half hours on Saturday, and is paid for at the rate of time and a half.

5. *Transfers.*—The discussion as to who should bear the cost of transfers has waged since August 11, 1920, when the general works committee stipulated that—

"In case an employee is transferred by the management for the purpose of maintaining in its employ an adequate working force, the management shall pay any difference between the actual earnings and the regular wage rates of the transferred employee, and such difference shall be charged as a regular operating expense. In case, however, an employee is transferred not for the purpose of maintaining a working force in the department from which the employee is transferred, but primarily for the purpose of preventing the unemployment of the employee, any difference between the actual earnings and the regular wage rates of the employee transferred shall be made up out of the unemployment fund."

It is evident that the distinction is a fine one and naturally most of the cost falls on the unemployment fund.

Time workers are paid their full hourly wage when transferred. In July, 1925, it was decided to pay piece-workers 100, 90, 80, or 70 per cent of their average piece-work earnings, based on the preceding six weeks. The percentage depends on the individual employee's rating which has been established on the basis of his effort while working on time work. Until an employee receives a rating he is paid 90 per cent of his average piece-work earnings. Dependents make no difference, as they do in the case of lay offs.

On all work where standard time rates are used, the charge to the unemployment fund is the difference between the actual standard time earnings on the new job and 90 per cent of the employee's piece-work average.

Inasmuch as the question of dependents does not affect transfers, it is obvious that employees without dependents have less to lose than employees with dependents by transfers as compared with lay offs.

6. *Discharges.*—In a statement defining the control and use of the unemployment fund as revised December 1, 1926, the following appears:

"The policy of the company is not to discharge employees for lack of work except where the reduction of volume of work is expected to be permanent and employees can not be transferred to other work."

7. *Termination or suspension of fund.*—Provision is made for automatic suspension of the plan in case any government under which the company is doing business passes any law relating to unemployment insurance and until the articles can be amended so as to conform with those laws without duplication of benefits.

#### ADMINISTRATION

1. *Administrative bodies.*—The control of the unemployment fund is in the hands of an unemployment committee of four, appointed annually, two by the general works committee and two by the management.

In addition to authorizing payment of benefits, it is the function of this committee to investigate the conditions which have led to unemployment when it occurs and make recommendations to the general works committee and the management. The unemployment fund committee also makes an annual report to the works committee and the management showing the conditions of the fund and the use that has been made of it.

The custody and investment of the fund formerly were in the hands of three trustees appointed annually by the directors, but at present these functions are handled by the treasurer of the company.

The personnel department has close contact with the problems of the fund and is responsible for the supervision of all transfers, lay offs, and discharges.

2. *Provision for changes in procedure.*—In case the management wishes to suggest any change in the administration of the unemployment fund, the procedure is for it to place its recommendation before the general works committee. The recommendation is then submitted to a conference committee consisting of members of management and the general works committee, which is known as the unemployment fund committee and which later reports to the general works committee and to the management. Various committees, including those of workers, discuss all measures affecting the unemployment fund and bring in their findings, which are submitted to the unemployment fund committee. It is considered a matter of prime importance to all workers and to management itself.

3. *Payment of benefits.*—Benefits are paid in cash with the regular weekly pay.

4. *Settlement of grievances.*—Appeals in regard to payments are taken to the unemployment fund committee, which has final jurisdiction in such matters.

5. *Transfers and lay offs.*—When it is impossible to keep workers busy by transferring them to other departments during lack of work in their own department an attempt is made to distribute lay-off time with pay as fairly as possible.

In assigning both transfers and lay offs, employees with shorter service are laid off or transferred first.

In 1926, as was previously stated, it was agreed that from that time persons with less than six months' service would be dropped without pay on the lay-off basis even though the shortage of work might be a temporary one rather than a permanent one.

The question of reimbursement for transfers to other work within a department or to work in other departments is an involved one. Foremen quite naturally wish to keep down the costs of their departments and consequently are inclined to lend for lower priced jobs in other departments or to place on lower-priced jobs in their own departments their higher-priced employees when work is slack, in which cases the difference between the actual earnings of the worker and his average earnings on his own job is taken out of the unemployment fund. Among other difficulties inherent in transferring workers are the inexperience of operators on unaccustomed work and the tendency to soldier when working for a strange foreman. The workers, especially, when not on their own work, have a feeling of being "on a vacation," as the foremen express it.

It was proposed by a subcommittee on March 15, 1927, to meet these difficulties by adopting a policy of keeping careful records of borrowed workers and establishing a retainer and piecework system based on the expectancy established by such records. Also, this committee recommended that new employees be told when hired that they are not to do one particular job but may be transferred to other work. These recommendations are at present being carried out, at least partially. The fact that \$13,541.95 was paid out for transfers

in 1926, a larger sum than in any preceding year, despite the fact that the year was a prosperous one, has directed an exceptional amount of attention to this problem, and criticism is being voiced against the indiscriminate use of transfer as opposed to employing it as a means of regularizing the flow of work.

Very little is done in a formal way to train employees for work in other than their own departments, but the experience of workers on other jobs is carefully recorded for purposes of transfer. Instructors, who may have other duties besides instructing if their time is not exclusively needed for that, are under the supervision of a person whose sole function is training. This person is a member of the personnel department. Flexibility of the working force is promoted by including versatility among the factors establishing base rates, thereby giving a premium rate to the worker with experience and skill on many jobs.

6. *Publicity.*—Publicity concerning the aims and administration of the fund is obtained through the medium of the management, the general works committee, and the house organ.

7. *Cost of administration.*—The cost of administering the fund is not recorded, as all details in relation to it are handled by the regular departments.

#### SUMMARY OF EXPENSES

1. *Number of employees and pay rolls.*—Pay-roll figures from 1921 to date show a comparatively close relationship to the number of employees except during periods when more overtime than usual was worked. Overtime is particularly reflected during the latter part of 1926 and the early part of 1927 when there was a marked relative increase in pay-roll totals at the same time the number of employees was decreasing. (See Chart 1 and Table 4.)

The average number of employees eligible for benefits was greater in 1923 than at any other time, although the pay roll for eligibles was larger during the three following years than at that time. Overtime, no doubt, is also reflected here. (See Table 5.)

2. *Lay offs and discharges.*—A year after the plan was inaugurated it was found that several departments were overmanned. Separations amounted to 342 from September, 1920, to March, 1922. Of this number, 103 were let go for permanent "lack of work," which occurred chiefly in the latter part of 1921; 172 were let go for "unsatisfactory work" and "inefficiency." About 10 per cent of the workers discharged for the latter reasons appealed to the general works committee, claiming that the pretext of inefficiency had been used to cover up the real reason for discharge which they said was lack of work. These cases were investigated by the works committee who found that the records showed that the discharged workers were clearly below the established standards.

From 1922 through 1924 relatively few people were laid off for lack of work, "lay off" in the Dennison plan being used to designate workers temporarily idle. During 1925 and 1926 there was a steady increase in such lay offs and during the first half of 1927 a decrease. The benefits paid to lay offs increased relatively faster during the second half of 1925 and 1926 than the number of employees laid off, and continued to increase during the first half of 1927 in spite of a drop in numbers laid off (see Chart 2) which indicates longer periods of idleness than during the preceding years.

3. *Transfers.*—The number of transfers is usually larger than the number of lay offs, though the reverse occasionally holds, as in January, September, and December of 1926. (See Table 6.)

	Number of transfers (due to lack of work)	Number of lay-offs (due to lack of work)
1926		
January.....	179	204
February.....	165	32
March.....	60	0
April.....	7	34
May.....	53	0
June.....	77	0
July.....	169	0
August.....	163	41
September.....	96	259
October.....	248	186
November.....	272	125
December.....	279	524

TABLE 4.—Number of employees and pay roll totals, 1921–1927, Dennison Manufacturing Co.

Month	1921		1922		1923	
	Number	Amount	Number	Amount	Number	Amount
January.....	2,750	\$268,252.88	2,775	\$246,515.91	2,975	\$266,928.12
February.....	2,755	252,946.40	2,800	245,114.20	3,000	282,641.91
March.....	2,850	270,061.45	2,850	308,729.75	3,025	364,108.15
April.....	2,900	319,904.35	2,900	251,872.95	3,150	294,278.05
May.....	2,900	265,353.20	2,950	265,866.25	3,275	363,955.85
June.....	2,900	257,310.15	3,000	330,455.70	3,263	302,567.90
July.....	2,900	303,064.05	3,075	254,185.90	3,583	284,454.05
August.....	2,920	243,223.30	3,150	251,803.00	3,482	352,988.90
September.....	2,890	299,931.00	3,050	322,803.00	3,450	288,676.40
October.....	2,750	238,676.85	2,985	270,967.95	3,312	304,965.35
November.....	2,750	228,004.00	3,025	336,313.05	3,273	374,424.86
December.....	2,760	300,308.80	3,000	286,733.20	3,187	354,106.75

Month	1924		1925		1926	
	Number	Amount	Number	Amount	Number	Amount
January.....	3,311	\$301,059.15	3,243	\$319,293.30	3,363	\$328,730.17
February.....	3,332	295,639.50	3,247	303,844.20	3,364	311,947.27
March.....	3,242	316,044.85	3,215	391,453.80	3,379	405,733.06
April.....	3,341	393,359.60	3,213	325,900.79	3,374	311,943.16
May.....	3,378	307,606.15	3,190	310,363.50	3,375	327,245.58
June.....	3,398	388,909.15	3,203	303,255.85	3,328	403,316.46
July.....	3,477	299,291.32	3,267	374,684.45	3,308	290,654.35
August.....	3,466	282,999.47	3,191	301,452.50	3,279	357,063.77
September.....	3,420	372,331.80	3,161	291,980.35	3,210	295,703.81
October.....	3,321	304,892.75	3,208	377,726.95	3,146	303,241.05
November.....	3,317	304,350.94	3,200	315,356.02	3,076	382,146.93
December.....	3,321	366,273.60	3,375	383,506.46	3,068	306,392.03

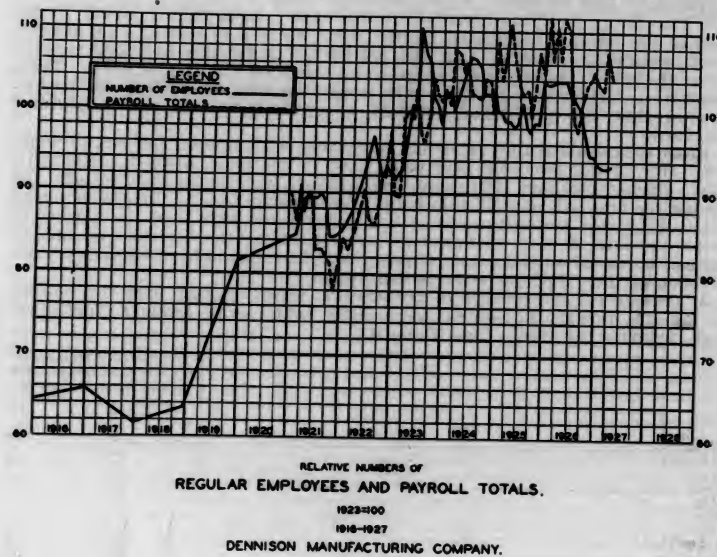


TABLE 4.—Number of employees and pay roll totals, 1921–1927, Dennison Manufacturing Co.—Continued

Month	1927	
	Number	Amount
January.....	3,032	\$302,737.49
February.....	3,022	301,134.70
March.....	3,023	394,093.69
April.....	3,032	305,398.48
May.....		
June.....		

TABLE 5.—Average number of employees eligible for benefits, total expenditures for all benefits, and average expenditure per employee, 1919–1926, Dennison Manufacturing Co.

Period ending	Average number of employees eligible for benefits	Pay roll for eligible employees	Amount available for benefits on Dec. 31	Total expenditures for all benefits (lay offs and transfers)	Average expenditure per employee	Per cent of cost in relation to pay roll for eligibles
1919.....	2,776	\$3,335,966	\$147,237.18	\$2,409.77	\$0.80	0.074
1920.....	2,809	3,174,083	144,767.41	22,989.02	8.18	.724
1921.....	2,950	3,354,315	120,268.24	1,510.15	.52	.045
1922.....	3,270	3,745,608	138,355.95	1,348.29	.41	.036
1923.....	3,209	3,923,257	141,077.84	2,168.74	.65	.053
1924.....	3,202	4,011,892	137,919.33	8,852.68	2.83	.224
1925.....	3,173	3,999,288	122,755.06	20,942.70	6.28	.523

<sup>1</sup> Dec. 31, 1923, \$19,436; interest added to fund.

<sup>2</sup> Dec. 31, 1924, \$4,806; interest added to fund.

<sup>3</sup> Dec. 31, 1925, \$5,822.50; interest added to fund.

<sup>4</sup> Dec. 31, 1926, \$5,760; interest added to fund.

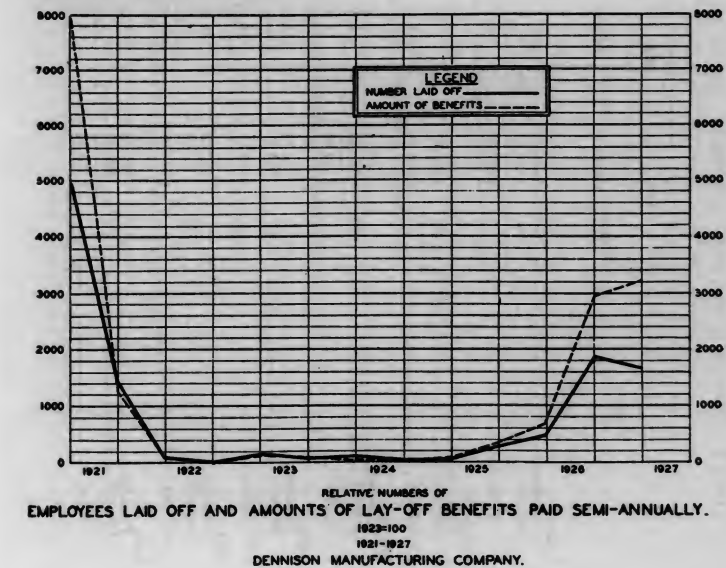


TABLE 6.—Payment to beneficiaries for transfers and lay offs and number of beneficiaries classified by months, 1921-1927, Dennison Manufacturing Co.

Month	1921		1922		1923		1924		1925		1926		1927	
	Num- ber	Amount	Num- ber	Amount	Num- ber	Amount	Num- ber	Amount	Num- ber	Amount	Num- ber	Amount	Num- ber	Amount
January:														
Transfers	780	\$108.60		\$962.71		\$169.63		\$172.86		\$642.45	179	\$1,347.88		\$1,522.97
Lay offs		3,228.25	39	100.05	13	39.95	53	78.30			249	1,108.15	604	3,297.90
Total		3,337.85		762.76		209.58		251.06		642.45		2,510.03		4,820.87
February:														
Transfers	1,333	\$,464.35		211.71		151.15		91.71		285.14	105	1,248.30		1,408.42
Lay offs					82	204.75					14	60.60	202	1,808.00
Total		8,498.35		211.71		355.90		91.71		285.14		1,308.90		3,210.42
March:														
Transfers	499	242.74		64.31				90.03		1,169.54	60	660.07		831.47
Lay offs		3,151.15	1	1.85						138.00	35	138.00	7	63.05
Total		3,393.89		65.26				90.03		1,169.54		808.07		894.52
April:														
Transfers	189	892.83		141.56		30.58		52.14		994.55	7	181.50		757.76
Lay offs		518.15				30.58		52.14		1,094.03		181.50		757.76
Total		1,405.08		141.56										
May:														
Transfers	170	897.08		137.83		2.81		16.80		581.42	53	382.10		534.35
Lay offs		474.95						74.75		74.75	1	2.70	53	257.55
Total		1,372.03		137.83		2.81		16.80		656.17		384.80		791.90
June:														
Transfers	143	978.14		3.83		19.61				438.07	77	1,044.95		
Lay offs		292.10												
Total		1,270.24		3.83		19.61				438.07		1,044.95		

July:														
Transfers	27	194.79				70.69		45.21		279.46	169	1,208.06		
Lay offs		72.95												
Total		267.74				70.69		45.21		279.46		1,208.06		
August:														
Transfers	6	51.10		6.92		14.74		80.55		38.39	163	654.22		
Lay offs											68	228.55		
Total		51.10		6.92		14.74		80.55		38.39		882.77		
September:														
Transfers		6.13		42.92				538.82		308.21	98	800.63		
Lay offs								24.44		107.60	363	1,580.15		
Total		6.13		42.92				563.26		415.81		2,382.78		
October:														
Transfers	265	112.11		90.22		114.71		425.13		1,108.27	248	990.27		
Lay offs		383.49								370.35	72	348.45		
Total		695.51		90.22		114.71		425.13		1,478.62		1,338.72		
November:														
Transfers	485	835.05		37.51		26.21		245.74		913.47	272	2,005.29		
Lay offs		1,308.78						4.05		195.00	169	1,043.80		
Total		2,143.83		37.51		26.21		249.79		1,108.47		3,049.09		
December:														
Transfers	145	149.47		6.83		338.96		304.46		1,256.51	279	3,022.06		
Lay offs		428.90		9.80		161.50					481	2,806.35		
Total		578.37		16.63		500.46		304.46		1,256.51		5,828.41		
Grand total		22,989.02		1,510.15		1,348.29		2,108.74		8,882.68		20,942.70		10,475.47

1 No figures available on number of people transferred except for 1926.

The largest number of workers laid off during the life of the plan occurred in 1921. In January of that year 730 people were laid off; in February, 1,333; and in March, 499. The months when the next largest numbers were laid off were December, 1926, when 481 were laid off, and January, 1927, when 604 were laid off. (See Table 6.)

Labor turnover figures for the years 1920-1926 disclose the largest number of people permanently laid off for lack of work to be 76 during the depression of 1921. There were more discharges for other reasons than lack of work during 1920 and 1921 and again in 1925 and 1926, than at any other time, and the percentage of voluntary separations was largest in 1920 and again in 1925 and 1926. The increase during the past few years in both discharges for cause and in voluntary separations is no doubt due to the greater attention paid to retaining efficient and weeding out inefficient workers, or at least not encouraging the latter to remain. (See Table 7.)

In 1927 there were 36 workers discharged without a dismissal bonus as against 22 workers in 1925. These numbers exceed those for any year except 1921, when 83 workers were discharged without dismissal bonus. (See Table 7.)

4. *Amount of benefit.*—The average expenditure per employee including both lay-off and transfer benefits, was \$8.18 in 1921 as against \$0.41 in 1923, reflecting the unusually acute unemployment in 1921. In 1926, the average expenditure again rose, being \$6.28 per employee that year, the increase at this time being due to transfers rather than to lay offs. The per cent of cost in relation to eligibles' pay roll was greater in 1921 and in 1926 than at any other time. (See Table 5.) The per capita cost of unemployment benefits has never exceeded 1.5 per cent of the total pay roll.

Since 1921 the amount of benefits paid for lay offs has in general exceeded the amount paid for transfers, but the first half of 1927 shows a tendency in the other direction, the reaction against promiscuous transferring evidently having its effect. (See Chart 3 and Table 6.)

The following amounts were paid to transferred workers during 1920-1926:

1920	\$2,101.50	1924	\$2,062.05
1921	4,386.94	1925	8,035.58
1922	1,400.30	1926	13,541.95
1923	942.09		

One reason for the large expenditure for transfers in 1925 was an acute situation arising in the division manufacturing paper boxes. Theretofore such boxes had been sold to small dealers, and during the transitional period of changing this policy to selling to large consumers there was considerably less work in some varieties of box making. Workers were transferred to different jobs merely for the purpose of holding them in the organization.

TABLE 7.—Labor turnover, 1920-1926, Dennison Manufacturing Co.

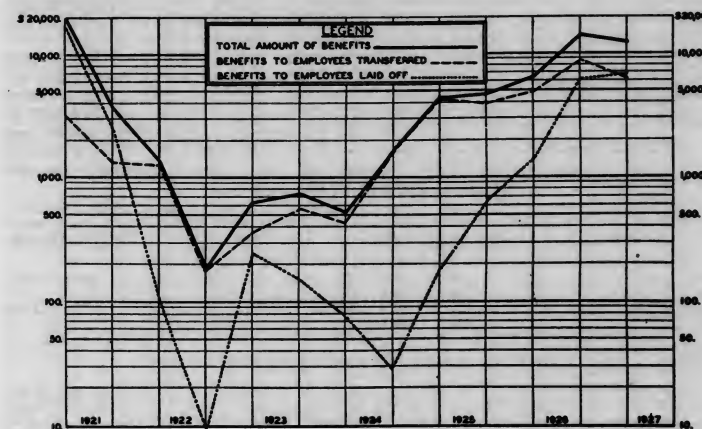
	1920	1921	1922	1923	1924	1925	1926
Lefts, voluntary	925	419	479	653	444	729	653
Discharges, lack of work	53	76	8	1	2	19	44
Discharges, all other	148	137	68	143	106	178	154
Total	1,126	632	555	797	552	926	851
Average number on pay roll	2,498	2,417	2,723	2,956	3,005	3,331	3,286
Turnover, per cent.	45.07	26.15	20.36	26.96	18.37	27.80	25.90
Voluntary separations, per cent.	37.2	17.4	17.6	22.1	14.8	21.9	23.5
Discharges, all other, per cent.	5.9	5.7	2.5	3.6	3.5	5.3	4.7

5. *Overtime.*—Overtime is rather widely scattered, and one of the executives states: "I feel I am honest in saying that it has not resulted in unduly long hours." The rules of the factory require that no man should, under ordinary circumstances, work more than two evenings a week, or a total of 6 hours more than the regular 48-hour week, but in extraordinary circumstances a man may work as many hours as 60 a week if he has the approval of the works manager. As the personnel manager summed up the question of overtime: "We believe in covering our peaks by some overtime, but we also realize that excess overtime means excess absenteeism and thus defeats its purpose."

It will be seen that records of the cost of overtime do not disclose any consistent seasonal demand for longer hours, excepting that during 1925 and 1926 there was more overtime from October until the following April than at any other time of the year. The expenditures for overtime during the life of the unemployment compensation plan have exceeded those for the years preceding the inauguration of the plan. (See Table 8.) Both this fact and the fact that the use of temporary workers is mounting (see Table 8) indicate that foremen are "playing safe" and preferring both of these methods of increasing man-hours at busy times to taking on regular employees.

In a letter dated October 29, 1927, one of the Dennison executives states:

"In the 1917-1920 days people were getting such good pay generally that they did not want to do much overtime. In addition, we were in a 'sellers' market and we did not have to be very particular, as you know, about service to the customer. In 1921 business was so bad that there was little or no overtime for anyone, but when business began to come back in 1922 demands



AMOUNTS OF UNEMPLOYMENT BENEFITS PAID SEMI-ANNUALLY.

JANUARY 1921 - MAY 1927

DENNISON MANUFACTURING COMPANY.

for service were so great that we had to get the goods out when the customer wanted them, even though it involved doing the almost impossible Rush orders and all sorts of delivery dates ran up the overtime in this year and the year after. In 1923 we had a reorganization in our office and began to put in office machinery where handwork had been used mainly before. This meant that we had to carry almost a double load in many departments, and a great deal of overtime was worked as a result. The sharp drop in 1924 shows that when the situation was cleared up the overtime dropped off rapidly. It seems to me that, taking into consideration the value of the dollar, the \$84,000 in 1918 represents as much, if not more, than the \$105,000 in 1926.

"Thus, you see, it is necessary to qualify the statement that the unemployment plan causes more overtime. Ordinarily, however, I think it is apt to do so to a slight extent, since all the little increases in business would be taken care of by overtime work rather than by putting on extra people who would later have to be dropped."

TABLE 8.—Total cost of overtime, Dennison Manufacturing Co.

Year	Amount	Year	Amount
1917.....	\$48,000	1922.....	\$108,000
1918.....	84,000	1923.....	204,000
1919.....	68,000	1924.....	116,000
1920.....	75,000	1925.....	115,000
1921.....	36,000	1926.....	101,000

Month	1924	1925	1926	1927
January.....	\$7,948	\$10,185	\$10,042	\$6,395
February.....	9,495	11,024	9,277	5,390
March.....	12,457	12,212	11,594	.....
April.....	13,897	7,816	9,130	.....
May.....	9,428	6,773	7,721	.....
June.....	10,613	8,446	7,808	.....
July.....	7,155	6,303	4,976	.....
August.....	6,917	6,568	6,673	.....
September.....	10,588	9,191	6,075	.....
October.....	8,888	11,356	7,676	.....
November.....	9,051	11,258	10,437	.....
December.....	9,336	13,133	9,548	.....
Total.....	115,773	114,765	100,967	11,785

TEMPORARY WORKERS<sup>1</sup> (1923=100)

Year	Number	Per cent	Year	Number	Per cent
1920.....	152	57.8	1924.....	98	37.3
1921.....	70	26.6	1925.....	190	72.3
1922.....	122	46.4	1926.....	337	128.1
1923.....	263	100.0			

<sup>1</sup> Includes summer workers who work during their vacations from school and college.

6. *Opinion of employees.*—It is quite natural that the profit-sharing group at the Dennison plant should be more concerned with the administration of the unemployment fund than any other group. The majority of the employees do not seem to be greatly concerned about the decrease of the fund, perhaps relying on a possible gift from the gods to supplement it in case it approaches the danger point. There is no doubt that they would greatly miss the unemployment benefits if they were not given, but catastrophes are seldom anticipated by the ordinary worker. Every effort is made to arouse their sense of responsibility toward the conservation of the fund by rendering honest service when transferred to other work than their own. There is increasing concern among foremen and other executives to prevent unemployment and malingering by every possible device and to resort to relief measures only when all preventive measures are exhausted.

One of the indirect but extremely valuable results of the plan has been its furnishing of important grist for the mill of employee representation and its consequent service as a means of stimulating responsibility in fundamental matters affecting the workers.

The discussion previously mentioned concerning the safeguarding of the fund furnished a recent arresting example of a sense of responsibility on the part of both workers and executives. This was early in 1927 when the large sums deducted from the unemployment fund caused alarm. The management suggested, in view of the rapid depletion of the fund, that benefits be decreased and waiting periods increased. This suggestion was met with disapproval by the general works committee, who said the management was to blame for permitting losses due to lack of productivity on the part of transferred workers. Committees were appointed to investigate the problem and as a result it was decided to "clean house" before changing benefits and waiting periods.

It has been found that steady employment does not appeal to people without pressing responsibilities so strongly as it does to those with such responsibilities.

ties. In some instances workers resent not getting their "turn" at unemployment with pay, in spite of the consequent loss of regular earnings.

7. *Opinion of management.*—Actual effects of the unemployment fund on the morale and efficiency of workers can not be determined because too many factors contribute toward efficiency and morale. It is said, however, that formerly many capable employees were lost during lay-off periods and that these employees are now held in the organization, which naturally is basic in building up a steady, competent force of workers. The employment department reports that the reputation for steady work which the company has established undoubtedly increases the number of desirable applicants for work. A member of this department reported that once when a definite record was kept it was found that only 2 out of 100 applicants evidenced any curiosity about the rate at which they were to begin, but all expressed interest in "steady work." Naturally, this applied to men applicants more than to girls and women.

In August, 1927, one of the executives stated:

"Just how much effect the unemployment plan has had on decreasing our labor turnover and increasing our productivity is a moot question. The scarcity of jobs in the neighborhood had undoubtedly been a decided factor in influencing both of these things; our profit-sharing plan has had its effect; our better foremanship must be given credit for some of it, and our works committee also has assisted in some degree. These are only some of the factors that might be mentioned as entering into the case."

The latest chapter in the history of the plan is the following letter, which was sent to the members of the general works committee in September, 1927:

"The large expenditures which have been made from the unemployment fund during the past two years have caused me to believe that immediate consideration should be given to changing the present unemployment fund articles in order to conserve the fund against times of serious unemployment. I am sending this letter to each one of you personally, so that you may have the opportunity of thinking carefully about the question before your next meeting, when I sincerely hope that it will be brought up for discussion.

"Our unemployment fund, as you know, was set aside from the profits several years and in 1920 when the plan was first put into effect it reached a total of \$157,000. In 1921, one of the worst years in the recent history of our business, \$23,000 was expended for benefits. The next three years the expenditures were small, being less than the interest on the fund, and at the beginning of 1926 the fund totaled \$138,000. Last year, however, the expenditures were very heavy, totalling \$21,000 or almost as much as the year 1921, in spite of the fact that business was very much better than in the latter year. Already this year more than \$13,000 has been paid out and from all indications it seems likely that the fund will be reduced to little more than \$100,000 by the end of the year.

"With such large expenditures being made during the two years when business has been fairly good, it is evident that if we should be unfortunate enough to run into a real bad year of business the fund would be used up in a very short time. It seems wise, therefore, to take steps now to properly conserve the fund against the time when we may be faced with a much more serious unemployment problem than has confronted us in the past.

"It would seem well to call attention to the fact that the fund was set aside 'for the purpose of relieving distress due to unemployment.' In considering the whole question we must continually keep this fact before us and not be misled into thinking that the provision of the fund is to guarantee full wages to everyone.

"As you undoubtedly know, there are only a few other companies in the country which have attempted to do anything along the lines of unemployment relief.

"Our plan goes beyond all others in this country and it has been criticized by some students on the subject as going beyond the purpose for which it was put into effect, namely, the providing for relief from distress.

"I realize that some steps have already been taken to conserve the fund, notably the provisions that an employee would be required to have six months' service before becoming eligible to receive unemployment fund benefits. I realize also that to reduce the present benefits might be looked upon as somewhat of a hardship by many employees. Nevertheless it is wiser to undergo

slight hardships at the present time rather than suffer much more serious hardships later, which will certainly be the case if the fund is entirely used up.

"I should like to have you consider very carefully the following changes in our present plan:

"1. That in case an employee is laid off on account of unemployment he shall be guaranteed 80 per cent of his weekly pay if he has dependents and 60 per cent of his weekly pay if he has no dependents. In case he works part of the week any difference between what he earns and the 80 per cent or 60 per cent shall be paid out of the unemployment fund. This guarantee would hold during weeks in which there were holidays, but would not hold if a man was absent for illness or other cause.

"2. That in case an employee is transferred for lack of work and does not give his best efforts on the job to which he is assigned he shall be sent to the employment department, where it will be decided whether he should be laid off without pay for the period for which he was originally transferred.

"3. That the rules in regard to dependency be more carefully observed and that all employees be instructed as to the meaning of dependents as described in the articles, and also with the penalties which may result from false statements in regard to dependents.

"If you would care to ask any questions concerning this whole subject I should be only too glad to come before the works committee at their next meeting and answer them."

The first recommendation may need some elucidation. Under the present plan if a man with dependents who earns \$24 per week is laid off for one day he would receive his regular wage for 39¼ hours. At 50 cents an hour this would amount to \$19.63. In addition he would receive from the fund 80 per cent of one day's pay or \$3.50 more, making his total earnings \$23.12 which would be a very small reduction from his full pay. Under the proposed plan he would receive in earnings \$19.63. Since this sum is more than 80 per cent of his week's pay he would receive nothing whatever from the unemployment fund. In other words, for a person with dependents it means that he may lose a day's work a week without drawing anything from the unemployment fund, while a person without dependents may lose about 2½ days without payment from the fund.

Many of the older workers who have benefited by the fund and see the contrast between their past and present treatment during slack times say they would rather see the company abandon anything else than the unemployment fund.

The management expressed its opinion of the plan thus in October, 1927: "Our factory management is unanimous in its belief that unemployment compensation is very much worth while. They realize that while it adds somewhat to the complications of management it gives them a more reliable and competent working force. They also realize that on account of it the factory assumes a different aspect in respect to the sales organization than it does without it. In so many cases the sales organization gives orders to the factory as to just what they want and when, and the factory is supposed to say 'Yes, sir,' and produces the goods. If the orders are not coming in, the sales organization usually worries little about the workers who produce the goods, but yet they want them on the spot when the next rush orders come and are very critical if deliveries can not be met. With an unemployment plan which costs real dollars and cents, the sales organization is more ready to accept its responsibility for keeping somewhere near an even flow of business coming in.

"Our factory management is thoroughly convinced that unemployment relief has proved its value, but there is a strong feeling that our present plan needs some revision. Our experience over a period of years has taught us that the following points should be kept in mind in developing a plan:

"1. Unemployment payments should be so designed as to make all employees prefer to take a transfer to other work rather than be laid off without any work.

"2. An employee must not expect to receive his full wages when permanently transferred unless his skill at the transfer job is fully as great as his skill on his regular work.

"3. Unemployment benefits which are paid while an employee is laid off should be enough to relieve actual distress, but not enough to make such lay offs desirable.

"4. Weekly earnings must be emphasized and payments should be made only on the basis of weekly earnings.

"We have been voyaging on an uncharted sea in this case as we have in others, and this has resulted in our finding ourselves aground now and then. It will take a bit of patience and some time to reach our desired goal, but the results which we have obtained have so far surpassed what it has cost that we can look upon the experiment only as a highly profitable one."

#### UNITED DIAMOND WORKS (INC.), NEWARK, N. J.

##### BACKGROUND

The United Diamond Works (Inc.) is the only diamond-polishing plant in the country with a fund for compensating unemployment.

The bulk of the diamond industry is engaged in manufacturing diamonds used for commercial purposes such as drilling, a small part of the trade being engaged in manufacturing gems. The six or seven diamond cutting factories in the United States are chiefly in and around New York, the United Diamond Works (Inc.) being one of the largest.

Although it was impossible to get actual statistics of unemployment in the industry, the general manager of the United Diamond Works (Inc.) said it was his impression that the unemployment situation is very bad in the average diamond factory, periods of idleness ranging from three to six months every year.

This plant controls the American rights for the use of an ingenious diamond-polishing machine and for some of its operations employs unskilled girls whom it trains. A period of from three to four months is usually required to train one of these girl operatives. Other operations are performed by highly skilled and responsible men who in many cases have had long years of service in their trade of diamond polishing.

The United Diamond Works (Inc.) was one of the first organizations in the industry to give factory workers vacations with pay; it has always provided the employees nourishing food at low cost; it has a practical nurse in part-time attendance at the plant, and in other ways attempts to maintain desirable working conditions.

The general manager of the company, while he could furnish no actual figures, said in September, 1927, that he believed they had never employed more than 90 people, and that at that time they had in their employ 72 employees. Because of the small number in the organization he knows all the workers personally and the only person besides himself who has the right to discharge a worker is the foreman in charge of the girls. He has complete supervision over the plant and all details in connection with its running, and because he knows intimately all that goes on does not think it necessary to keep labor turnover records.

The factory is at present the only nonunion shop in the American branch of the industry, and at no time has the firm ever had any agreement with any of the workers, although the diamond-polishing industry as a whole is highly organized.

The hours of work are from 7.45 a. m. to 5.15 p. m., with a half hour at noon and no Saturday working during the period of daylight-saving time. Diamond polishing requires good light and hours are adjusted accordingly, hence, when daylight-saving time is not in effect the hours are from 7.45 a. m. to 4.45 p. m., with a half hour at noon, except on Saturday, when work ends at 11.45 a. m.

The general manager stated that there was so little overtime that it was "not worth mentioning."

Holidays when the plant closes down are the usual six, as well as all Jewish holidays, week workers obtaining the usual pay during holidays and piece-workers not.

Every worker, manual and clerical, has three weeks' vacation with half pay, the vacation usually being in August.

The plant does not suffer from seasonal fluctuations, the only cases of shut-downs from inability to furnish work being due to the impossibility of obtaining suitable raw material from Europe, and overproduction, due to general bad business conditions. Inasmuch as the product of the plant is a luxury and not a staple necessity, various stabilization measures are inapplicable, but every effort is made to train an adequate sales force and maintain good rela-

tions with customers. Attention to management methods in both production and sales has been largely responsible for a fairly steady flow of work since the depression of 1921-22.

A department in this plant practically never works part of its people at a time or all of its people part time. When it is not able to employ its full force full time, it usually closes down completely.

The idea of compensating unemployed workers was first conceived of by this firm during the depression of 1921. Other diamond-cutting plants had closed down. The firm recognized that the time was fast approaching when the plant would have to close down completely and saw with uneasiness the possible disbanding of an organization which they had painstakingly built up. Consequently, they announced to their workers that they would pay unemployment compensation in case they had to close the plant, and in April, 1921, benefits were first paid. No special fund was laid aside and no agreements or promises made.

The general manager stated in March, 1927:

"The plan was initiated with two ideas: Firstly, we felt that employees who had been with us for a number of years were entitled to some return for their services; secondly, we wished to reduce to a minimum the number of employees who would not return when operations were resumed."

Because of the skill and training involved in diamond polishing the latter motive was especially potent.

From April 8, 1921, until March 31, 1922, the plant was completely closed down and during that entire period unemployment compensation was paid.

#### PROVISIONS OF THE PLAN

1. *Eligibility for benefit.*—Acceptance of temporary work elsewhere while unemployed at the United Diamond Works does not disqualify a worker for unemployment compensation, but such pay may be discontinued any time the company has proof a man does not intend to return. If any worker is needed for repair work or painting or any form of maintenance he is called upon to report at the plant at a flat rate of \$5 or \$6 a day.

Eligibility depends roughly upon six months' length of service, but exceptions are made in favor of promising workers of short length of service. On the other hand, if a worker has been in the employ of the firm over six months and is not considered worth holding, he is permanently laid off when the plant closes.

All workers, manual and clerical, are covered by the plan.

2. *Scale and duration of benefit.*—During any shutdown, covering any period of time, however short, men workers are paid 25 per cent of their average earnings. Men in supervisory ranks are paid more—50 per cent, 75 per cent, and 100 per cent—just as executives in organizations which do not operate an unemployment compensation plan are usually retained at full pay when the plant is idle. Men are paid by checks sent to their homes every two weeks.

Women office workers are paid 50 per cent, and women operatives 20 per cent of their average weekly earnings for the previous six months. No remittances are sent to them, as to the men, but they receive their unemployment compensation in equal weekly payments in their regular pay envelopes on their return to work. This apparent discrimination against the women is due to the fact that their return to work is more uncertain than that of the men.

No decision has ever been made as to the duration of time a worker may draw compensation, every demand for any necessary length of time having been met so far.

3. *Transfers.*—No transferring of workers is done and hence no problem arises during slack times concerning the payment of workers transferred to jobs paying rates different from their own.

#### SUMMARY OF EXPERIENCE

The average weekly pay roll for a period of years has been about \$3,000, and the average number of workers between 75 and 80.

Since the long 1921-22 shutdown of the plant it has operated steadily, with the exception of the following periods:

#### Shutdown period<sup>1</sup> and amount of lay-off pay

Apr. 8, 1921 to Apr. 10, 1922	\$31, 148. 60
Sept. 28, 1923 to Oct. 16, 1923	691. 00
Dec. 18, 1923 to Feb. 29, 1924	3, 500. 00
Aug. 15, 1924 to Sept. 22, 1924	1, 125. 00
Oct. 28, 1925 to Dec. 7, 1925	2, 100. 00

NOTE.—No shut-down periods from 1926 to 1928, inclusive.

Executives stress the flexibility and informality of the plan, saying there has always been a thorough understanding that it would be given up at any time it proved too heavy a burden to carry safely. They maintain, however, that in view of the fact that the firm had to pay unemployment compensation for nearly a year following the introduction of their unemployment compensation plan, they are reasonably sure they can carry on through any ordinary periods of unemployment. They say they consider it of value to their organization both for morale-building purposes and for its effect in holding together a force of trained and skilled workers.

In March, 1927, the general manager stated:

"After each shutdown we have always had our employees return to us, with one or two exceptions explainable either by marriage or illness. Of course, we have no way of determining whether they would have returned if no payment had been made to them, but we expect to continue this plan in the future."

And in September of the same year he wrote:

"May we point out again that the outstanding feature of our course of action has been a sort of benevolent despotism. The company has never contracted or definitely promised to make any of the distributions cited above."

CROCKER-McELWAIN Co. AND CHEMICAL PAPER MANUFACTURING Co. HOLYOKE, MASS.

#### BACKGROUND

1. *The companies.*—The Crocker-McElwain Co. and the Chemical Paper Manufacturing Co. manufacture fine-writing papers, manifolds, index bristols, covers, and box boards. They are under the same management and both plants are located in Holyoke, Mass. The management is regarded as very progressive, having pioneered in the Holyoke district in various phases of industrial-relations work. Their works council was the first to be organized in this vicinity. The council is composed of employees elected from the various divisions of the plant and two representatives of management.

In May, 1927, there were 368 employees at the Chemical Paper Manufacturing Co., 158 of whom were covered by the employment contract. In the Crocker-McElwain Co. there were 240 employees, 114 of whom were covered by the employment contract.

The hours of work for men working on the 3-shift plan are 6 days of 8 hours, with a 24-hour shutdown on Sunday. Male day workers are on a 50-hour schedule, 9 hours the first 5 days of the week, and 5 hours on Saturday. Women and minors work 48 hours a week. Firemen work 48 hours, being relieved on 1 day out of 7.

Where men "double up" to fill temporary vacancies on tour work and in shifts in any manufacturing or other department they are paid single time during the first two weeks and double time thereafter unless employees work overtime to take the place of a person who is out because of sickness or injury, in which case there is no extra compensation. The company reports that because there is so little overtime no overtime records are kept for comparative purposes.

The usual six holidays are observed and they are not regarded as compensable time in computing unemployment.

Technically, there is no vacation with pay, though if 5-year men ever have any idle time they usually regard it as vacation.

There is comparatively little seasonal unemployment in these organizations. What irregularities there are have been largely ironed out by the management through intelligent coordination of sales and production, provision of storage facilities, and winning the cooperation of retailers.

<sup>1</sup> 1921-22 shutdown, entire plant laid off; during other shutdowns, some departments at work.

While the introduction of improved machinery and methods has resulted in the displacing of workers, it has, in some instances, meant an increase in numbers. For example, about six common laborers whose work consisted of hand hanging the paper over poles were displaced by the installation of an air-drying machine. The work of tending this machine required 12 men of a higher grade of intelligence than that required by the hand method. Moreover, the air-drier men work under the tour or shift system, the change from hand to machine work thus resulting in not only putting more men on the job but in employing a double shift.

2. *The employment-guaranty plan.*—For some years previous to the inauguration of the plan the Holyoke branch of the International Brotherhood of Paper Makers, Eagle Lodge No. 1, had been exerting strong pressure in favor of a closed union shop.

Some employers in other Massachusetts industries had retaliated against similar union pressure by requiring their workers to sign individual contracts, termed by the unions "yellow-dog" contracts, because they stipulated an agreement to foreswear union affiliations. A member of the firm of the Crocker-McElwain Co. disliked these contracts, realizing the antagonism they created, and desired bona fide open shops for the paper industry in the Holyoke district. He had, moreover, been giving a great deal of thought to the question of winning the loyalty and good will of workers instead of attempting to coerce subordination, when, in May, 1920, acute labor trouble precipitated action. There was a strike of the unskilled workers, and the skilled men stepped into the breach and helped the firm to break the strike.

When matters were settled the firm decided there were some definite things they could do to insure a steady, loyal force of workers, and that the things they had in mind involved responsibility on the part of both management and workers. In view of the fact that the paper industry requires for some of its operations highly skilled, experienced workmen it is particularly desirable to keep the turnover as low as possible. In their effort to destroy one of the most basic causes of labor unrest the problem of unemployment was the one with which the management concerned itself. The employment-guaranty plan was therefore introduced with the purpose of engendering in the manual workers the sense of belonging to the organization which salaried workers in general had. It was to this end that the idea of salaries instead of wages was stressed as a reward for faithful service. The management went over their records for several years past, and first concluded that they could afford a 52-week employment guaranty for workers who had been in their employ 10 years. After further consideration they were willing to guarantee uninterrupted work to all workers who had been in the employ of the firm five years. It was the avowed purpose of the management to shape their policies with the idea of keeping their 5-year men and as many others as possible steadily at work instead of paying them for idle time.

In December, 1920, the plan was submitted and explained to all employees who had been in the organization five years or more, each of them being given a copy of the contract to take home and study. This contract in its final form read as follows:

This is to certify that I, \_\_\_\_\_ have been in the continuous employ of the Crocker-McElwain Co. at Holyoke, Mass., from \_\_\_\_\_ to this date, and this period of continuous employment being for five years or more, I hereby make application to be placed on the salary roll of the company under the various conditions and agreements contained in the attached letter of explanation, which is hereby made a part of this application.

Dated and signed at Holyoke, Mass.

(Date)	(Applicant)	No.
Recommended:	Approved:	
	(Foreman)	
	(Department Manager)	
Accepted for the company:	By	
Date:		

CROCKER-McELWAIN Co.,  
Holyoke, Mass.

DEAR M——: We are greatly pleased to find that you have now completed more than five years in the continuous employ of this company, thus demonstrating your faith in the general principles and ideals of our organization, including our determination to insure a square deal for all, as evidenced by our practice of dealing both collectively and individually with our employees, and our insistence upon exclusion from our midst of all factional differences.

In order that you may not be subject to loss of income due to nonoperation of the plant you may if you so desire, now make application to have your name transferred from the pay-roll record and placed on the company's salary roll.

When your application has been accepted by the company, after recommendation of two salary workers previously enrolled, and approved by your foreman and the manager of your department, it is understood that the following conditions are mutually agreed upon:

In case the hours worked during any period are sufficient at the regular wage rate applying on your work to equal or exceed the amount of your salary, you will be paid the regular wage rate. If, however, by reason of the plant not being in operation the hours worked are not sufficient at your regular wage rate to equal or exceed the amount of your salary, you will receive a salary for the present at the rate of \_\_\_\_\_ per period of four weeks, payable weekly. This amount will be subject to adjustment under any conditions affecting the general adjustment of wages. Whenever the plant is shut down on any regular working day, you will be expected to report for duty as usual, unless specifically excused from doing so by your foreman or the production manager, and it is understood that you will be willing to do such other work than that on which you are regularly employed as may be mutually agreed upon by you and your foreman or the production manager.

Except as modified herein the conditions of employment and working conditions as published by the company apply alike to salaried workers and wage earners.

Compensation for lost time due to legal holidays is not covered in this agreement.

This factory is neutral territory<sup>1</sup> from which factional differences are excluded, and you agree while employed to do no act, whether within or without the factory, tending to alter or impair such conditions.

Should you at any time or for any cause leave the employ of the company or for any reason quit work, this agreement immediately becomes void, except that you agree that thereafter you will in no way interfere, directly or indirectly, with the business or customers of the company, nor with the servants, agents or employees of the company, nor with persons desirous of entering into business relations with the company. It is understood, however, that you reserve the right to terminate this agreement by notifying the company that you are no longer in its employ, and that when such notice is given you are released from all restrictions and obligations imposed upon you by this agreement, and that thereupon you shall have the same rights and privileges that existed before your entering the employ of the company.

The company reserves the right to terminate this agreement under any conditions which, in the opinion of the company, may make it powerless to continue. It is not the intention of the company to exercise this right except in case of serious fire or other calamity, or conditions beyond our control. Under any such conditions the matter will be fully discussed with you and termination of the agreement will not become effective except after four weeks' notice so long as you remain at work in the employ of the company.

This agreement is suggested in the sincere belief that together in friendly cooperation we may be able to more nearly insure continuous operation of the plant and at least remove the hazard of unemployment from those who through five years' service have grown into a recognized place as a part of our organization.

Sincerely yours,

CROCKER-McELWAIN Co.

<sup>1</sup> 192 multiplied by regular hourly rate for 48-hour workers; 200 multiplied by regular hourly rate for 60-hour workers.

<sup>2</sup> In the original draft the term "open shop" was used, but, because of the union's objections, "neutral territory" was substituted.

<sup>3</sup> The last sentence of this paragraph was not included in the original draft. See next page for explanation.

This contract was to be signed individually by each person who had been in the employ of the firm for five years or more.

The firm frankly stated therein its desire to insure peace and stability in exchange for guaranteeing steady work. No attempt, however, was then made or has since been made to influence anyone to sever his union connections. On the contrary, in some of the documents issued by the firm, superintendents and foremen are warned against any discrimination against union members.

When the first draft of this contract was submitted to the union there was an immediate flareback, resulting in various conferences between the firm and union leaders during December, 1920, and January, 1921. There had been prolonged discussion concerning the agreement not to interfere with the company or anyone connected with it in case a worker left, and, as a compromise, a clause was added releasing the worker from any such restriction if he notified the company that he had left its employ. As a matter of fact, however, Massachusetts law insures legal protection to a firm, in case of labor disputes, whether a worker does or does not sever his connection by a written notice such as that mentioned in this contract. The union had also objected to the term "open shop" as the contract was originally phrased, and in its place the term "neutral territory" was used.

In the face of the union's insistence that the workers in the Crocker-McElwain Co. after the Chemical Paper Manufacturing Co. refuse to sign this contract, even after the above changes were made, the companies submitted to each and every employee on the pay roll the following form of agreement, insisting that all who continued in employment must sign:

Name \_\_\_\_\_

No. \_\_\_\_\_

#### APPLICATION FOR CONTINUATION OF EMPLOYMENT

Having been in the employ of the Crocker-McElwain Co. in the capacity of \_\_\_\_\_ for a sufficient period to become familiar with the conditions of employment and the memoranda outlining working conditions adopted and published by the company, and their methods in general, I desire to declare my wish, and hereby make formal application, to be retained in my present position under the conditions and rules referred to above, as a part of the regular operating force of the company.

Pledge: I agree that I will, while in its employment, faithfully observe and comply with all the rules of said company which now are or may hereafter be in force, at all times to the best of my ability exert myself for the best interests of said company, be careful of all property of said company intrusted to my care, and promptly and faithfully execute any work committed to me.

Whenever my employment may be terminated, whether by withdrawal or discharge, or in case I quit work for any reason, I agree that I will in no way thereafter interfere, directly or indirectly, with the business of customers of the company, nor with the servants, agents, or employees of the company, nor with persons desirous of entering into business relations with the company. I reserve, however, the right to terminate this agreement by notifying the company that I am no longer in its employ, and it is understood that when this notice is given I am released from all the restrictions and obligations imposed upon me by this agreement, and thereupon I shall have the same rights and privileges that existed previous to my entering the employ of the company.

Wages: My present rate of wage is \_\_\_\_\_ cents per hour, and is subject to adjustment under any conditions affecting a general adjustment of wages. The company's published rules as to overtime are satisfactory to me.

Working hours: Will be arranged by the company as it may deem most expedient for the transaction of its business, not exceeding, however, 50 hours in any one week for males and 48 hours for females and minors; also 48 hours for tour workers.

Any change made by the company in arrangement of hours, increase of wages, promotions, or transfers to other departments shall not be deemed a waiver of this contract in other respects.

Neutral territory: I understand that this factory is neutral territory from which factional differences are excluded, and I agree when entering employment to leave factional differences behind, and I further agree while employed

to do no act, whether within or without the factory, tending to alter or impair such conditions.

I hereby certify that I have read the foregoing carefully.

Accepted by the Crocker-McElwain Co., at Holyoke, Mass., \_\_\_\_\_ 192\_\_\_\_, Applicant.

by \_\_\_\_\_

[Back of contract]

CROCKER-McELWAIN Co.

Declaration of principles which have always governed our employment relations:

**Neutral territory.**—This factory is neutral territory, from which all factional differences are excluded. All the employees are expected to work together in harmony, side by side, for the success of the business and well-being of all the employees.

**Union recognition.**—The company recognizes the right of its employees to join any craft or trade union they may wish to be affiliated with, and the fact, if known, of a person belonging to a union will in no way militate against such person when seeking employment.

**Collective bargaining.**—If an employee wishes to deal with the company through some one chosen to act for him, his desires will be respected, whether such a representative be an officer or agent of his union or merely a fellow workman speaking in the interest of his fellow employees.

In January, 1921, the union called a strike because of the firm's insistence that all workers must sign the contract. The Crocker-McElwain Co. and the Chemical Paper Manufacturing Co. plants were shut down for six weeks, when the workers finally returned to work. The union still insisted that no member should sign either form or contract, but, as a matter of fact, no action was taken against those members who did. In the meantime 46 employees were lost to the companies because of "strike troubles." This was a time of great business depression, and in February, 1921, when the plan finally became operative, there was an unusual amount of unemployment, which resulted in the immediate application of the plan. An excellent demonstration of its advantage to the worker was furnished during this year as, in spite of acute industrial depression, the "guaranty" or 5-year men had steady work throughout the entire year.

#### PROVISIONS OF PLAN

1. **Definition of unemployment; provisions for discharge.**—A "full-time" employee is considered unemployed only when no job which the company considers him able to perform is available. When the plant is shut down, unless the full-time employees are specifically excused, they are expected to report as usual and take any job offered. Full-time work is provided for them whenever possible; when it is not possible to provide work of some nature they are excused, their pay being adjusted every four weeks.

No worker who has been with the company for five continuous years may be discharged without the case being first submitted to the general superintendent or manager. A worker of less than five years' service can be discharged without this review of his case, but he has the right to appeal to the head of industrial relations in person or through his works committee representative. A foreman may suspend a worker without pay if, in his opinion, the worker has neglected his duty. If a foreman considers a worker wholly unsuited to the job assigned, he may suspend the worker until the general superintendent or manager or employment supervisor investigates possibilities of transfer. In all cases of suspension the employee appears in person before the general superintendent or manager.

A worker may be summarily discharged regardless of his length of service for any infringement of rules or insubordination.

2. **Eligibility for benefit.**—Only workers who have completed five years of continuous and satisfactory service become eligible for a guaranty of full-time employment. Temporary workers, who are occasionally hired for short periods of rush production in some departments, are not eligible.

When, for any reason, a man must temporarily absent himself from his work for any length of time after he has accumulated his five years of continuous service, the company deals with his case on an individual basis. Leaves of absence are sometimes granted for two or three months if a worker wishes to take a trip to the "old country" or needs time for a long convalescence after an illness.

3. *Scale and duration of benefit.*—The contracts state that salary—i. e., full-time wages—is guaranteed with the condition that it is subject to adjustments due to wage revisions. When, during plant shutdowns, 5-year contract workers are only partially employed, they are paid weekly for the time they actually work on the basis of their wage on their regular jobs. Thus actual working time is paid for on the regular weekly pay day, and adjustments for idle time are made at the end of the 4-week period. Overtime is balanced against any idle time a worker may have had during the four weeks.

It has been stated that, no matter what the rate may be on cleaning and repairing and other jobs to which a worker is transferred during plant shutdowns, a 5-year contract worker receives his own daily rate. A "3-shift" man may, however, work 50 hours per week on the day schedule when he is being employed on other than his regular work and in this case, his regular working week being 48 hours, his hourly rate is adjusted to keep his weekly rate the same.

As there is no vacation plan, those employees who are invariably transferred from their own jobs to others, in case of plant shutdown, work 52 weeks a year.

4. *Transfers.*—The manufacturing department of a paper mill must be manned for continuous operation, as the paper machines run through the 24 hours of the day if operating at all. There is no part-time work or distribution of regular operations during slack periods. When, therefore, the entire plant closes down because of no work, an attempt must be made to place the 5-year contract employees on cleaning and repairing, which, of course, are necessitated by the generally continuous operation of machinery and use of the plant. Only when it is impossible to find such special jobs for a worker is he paid for idle time.

The following statement is included in a bulletin posted in the mills:

#### MEMORANDA OUTLINING WORKING CONDITIONS THROUGHOUT THIS MILL

When any operative is required to work during any time that the mill may be shutdown for repairs or other purposes, he shall receive the same rate per hour that he is paid on his regular position. If he is required to work more hours than he works in his regular position, he shall be paid at double time for the overtime. If, however, the work is of such nature that the skilled paper makers or skilled mechanics are not necessary and can be just as well performed by common labor, then the company may offer the work at the rate and hours in force for common labor, but it will be optional with the operative whether he will or will not elect to take the work at the common-labor rate prevailing. The department manager in charge of industrial relations, in a letter dated June 22, 1927, said:

"The memoranda outlining working conditions was written as a record of the mutual understandings between the local union and the manufacturers before our unemployment agreement was adopted. When our full-time agreement was adopted in 1921 it did not in any way change the working conditions except to modify them with additional privileges for the 5-year employees. Therefore an employee who has not been with us five years would be placed on temporary work under the provisions of the memoranda, while the full-time employee would do any special work under the full-pay provisions of the full-time agreement."

5. *Suspension or termination of the plan.*—Permanency has at no time been guaranteed in connection with the plan described here. On the contrary, the executives stress the fact that it must be terminated should it prove to be economically unsound. Workers constantly have their attention called to their responsibility for contributing toward the successful continuance of the plan by means of efficient work.

The company, however, specifically states that it is not its "intention" to terminate the agreement except in case of serious fire or other calamity, or conditions not under its control, and it promises not to discontinue without giving four weeks' notice.

#### ADMINISTRATION

1. *Administrative body.*—The administration of the employment-guaranty plan is in the hands of the company. The direct supervision of details is one of the functions of the industrial-relations department, known in this organization as the research department.

2. *Procedure in getting on 5-year list.*—When a worker has completed five years' continuous service he becomes eligible for a full-time guaranteed job

if he can get a recommendation from his foreman and department manager. Occasionally this recommendation is held up, although it is considered bad management if a worker has been permitted to remain in the organization for five years and no decision has been reached concerning his desirability as a permanent member of the organization.

The procedure followed is to give a worker on completion of five years' service a card stating:

"Our records show that on \_\_\_\_\_ you completed five years of continuous employment with this company. If you now desire to make application for a contract providing full-time work, please take the matter up with your foreman.  
"CROCKER-McELWAIN Co."

His foreman is also notified of the fact that the employee has completed five years' service, so that he may be prepared to receive the worker when he comes around asking to be recommended for a full-time guaranty.

It is an unwritten law that the employee and not the foreman take the initiative in putting through this procedure. The worker must first obtain the signatures of two full-time workers previously enrolled, as a recommendation, and then ask his foreman and department manager to sign in approval. The director of industrial relations said, "An opportunity is thus furnished the foreman to interview an applicant under favorable conditions, especially if there is a disciplinary reason for delaying the recommendation." The approval of the foreman and department manager amounts to a verification of five years of continuous and satisfactory service. The applicant then makes an appointment with the vice president of the company, which gives the latter an opportunity to talk personally with all his employees who have completed five years of continuous and satisfactory service. The agreement is not operative until finally approved and signed by him.

3. *Settlement of grievances.*—In Memoranda Outlining Working Conditions Throughout This Mill, issued by the companies there is the following statement concerning grievances:

"Grievances and suggestions.—The above memoranda of working conditions were arrived at through conferences with committees and officers of Eagle Lodge of Papermakers and affiliated organizations and other American Federation of Labor organizations represented in the mill, and as changing conditions may, from time to time, make it desirable to modify or add to these memoranda, the company, through its foremen, superintendents, managers, and officers, will be glad at any time to meet with individuals or committees of its employees or representatives of the above organizations from which the personnel of the employees is made up, to consider any grievances that may arise.

"Believing that earnest employees are often aware of improvements that could be made in manufacturing conditions, the management will be glad to receive suggestions of changes that might be of mutual advantage."

One of the executives wrote in September, 1927:

"We have never been called upon to consider any adjustments or grievances in connection with unemployment compensation but if such should come up, we believe that, with the pleasant relationship existing between our employees and ourselves, we could settle the matter in a friendly way. With regard to dealing with union representatives on the subject of unemployment compensation, I will say that we are glad to talk with union officials at any time upon that subject or any other provided one or more of our employees request it."

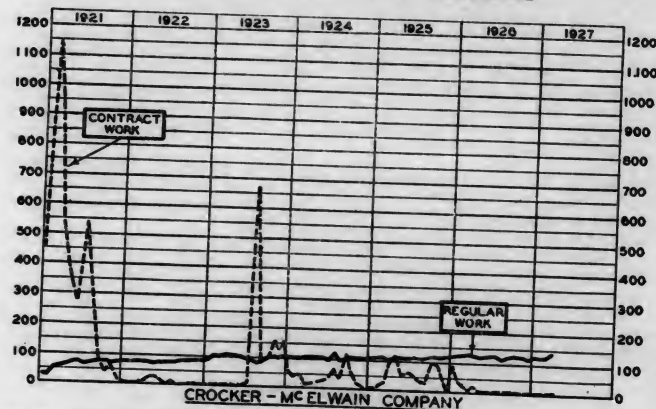
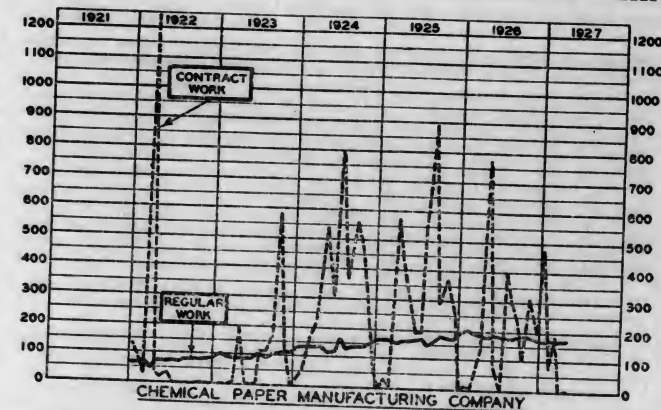
#### SUMMARY OF EXPERIENCE

1. *Continuity of work.*—The days when the machines were idle at the Crocker-McElwain Co., or in the vernacular of the paper industry, the "mill days down," not including Sundays and holidays, were as follows:

Year:	Mill days down
1921.....	190
1922.....	76
1923.....	52
1924.....	71
1925.....	49
1926.....	21

The following days down at the Chemical Paper Manufacturing Co. were as follows:

Year:	Mill days down
1921	151
1922	46
1923	48
1924	69
1925	51
1926	34



AMOUNTS PAID TO WORKERS OF OVER 5 YEARS SERVICE  
FOR REGULAR AND CONTRACT WORK

1921-1927  
RELATIVE NUMBERS - 1923 = 100  
CROCKER-McELWAIN COMPANY  
HOLYOKE, MASS.

It is obvious that the number of mill days down in both plants has been considerably reduced since the employment guarantee plan went into effect. This reduction of idle time has been in line with the effort of the management to furnish steady work. The wages paid for regular work, in proportion to

total pay roll have steadily increased since the plan was inaugurated, while the proportionate amounts paid for contract work have decreased. (See Chart 4 and Table 9.)

Moreover, the manufacture of paper, by virtue of the fact that the mills run continuously when they run at all, subjects equipment and machinery to steady use, and because of the danger of getting dirt in the paper during regular operations, cleaning walls and extensive repair work can not be done while manufacturing is in process. Therefore, any paper mill, whether operating an employment guarantee plan or not, requires a good deal of cleaning and repair work when the mill is "down." Hence, as may be deduced from the preceding pages, many employees have an opportunity to do various jobs other than their own when the machines are idle.

It is not the desire on the part of the management to remove all sense of insecurity from either office or manual workers. In fact it is stated by some of the officials that a sense of too great security removes incentive from the worker. The writer attended a meeting of the works council at which much emphasis was laid on the importance of safeguarding the plan by elimination of waste and by efficient performance. Data concerning the actual accomplishment in increasing production per capita are unavailable. As one of the executives stated in November, 1927:

"Your statement concerning each worker's responsibility for continuance of the employment guarantee by efficient performance is correct. We regret that we have no data to prove how well the employees have met this responsibility. We are convinced that the guarantee has brought about a higher degree of efficient performance, not because we have any definite figures to demonstrate it, but because we know that, on the whole, we are getting more paper and better paper over our machines than ever before."

More and more the company realizes that the success of an employment guarantee depends on high grade supervision. As one of the executives expressed it, "It is up to the supervisory force not to let an employee feel he is sitting pretty for the rest of his life when once he has signed his full-time contract. His sense of personal responsibility must be constantly stimulated." Nevertheless, executives claim that the fact that a man had been with the organization five years means, on the average, that he belongs to a select group. This group, they say, forms a large nucleus of potentially steady, reliable workers, and that the reduction of labor turnover (see Table 10) with the consequent increase in plant efficiency which almost inevitably accompanies reduced turnover, is largely attributable to the unemployment plan.

2. *Lay offs and discharges.*—It is evident that the occasion for discharging a 5-year employee seldom arises (see Table 11) although as one of the executives says, "Full-time men are not guaranteed against their job going out of existence nor are they guaranteed against the penalty that inevitably follows chronic incompetence."

TABLE 9.—Amounts paid for regular work and contract work, and amounts made up by firm

Year	Number of contracts			Wages paid		Amounts made up <sup>1</sup>	Total
	Jan. 1	Dec. 31	Net change	Regular work	Contract work		
1921	54	65	+11	\$72,738	\$15,883	\$1,568	\$90,190
1922	65	80	+15	116,347	3,041	197	119,585
1923	80	104	+24	157,064	2,034	567	159,665
1924	117	142	+25	217,488	7,478	1,052	226,018
1925	145	166	+21	255,551	6,956	1,238	263,775
1926	168	167	-1	288,967	4,829	272	294,068

CROCKER-McELWAIN CO.							
Year	Number of contracts			Wages paid		Amounts made up <sup>1</sup>	Total
	Jan. 1	Dec. 31	Net change	Regular work	Contract work		
1921	67	74	+7	\$89,160	\$18,307	\$1,373	\$108,841
1922	74	82	+8	115,425	289	98	115,812
1923	82	98	+16	144,537	2,448	2,129	149,114
1924	91	95	+4	149,797	677	1,141	151,615
1925	96	107	+11	161,419	732	1,569	163,720
1926	108	108	-----	175,310	134	458	175,902

<sup>1</sup> "Amounts made up" are the amounts paid to 5-year employees when they are excused from reporting for work because the company can find nothing for them to do. Wages paid for contract work are charged to the department where the work is done, whereas "amounts made up" are charged to the regular departments of the men receiving compensation for unemployment.

TABLE 10.—Labor turnover

Year	Chemical Paper Manufacturing Co.		Crocker-McElwain Co.	
	Average number employees	Per cent turnover	Average number employees	Per cent turnover
1922.....	325	40.0	245	57.0
1923.....	351	46.7	281	47.5
1924.....	358	18.9	265	25.8
1925.....	367	21.9	239	36.4
1926.....	373	20.9	237	30.4

There were more layoffs because of inability to furnish work in 1925 and 1926 than in any other years during which the employment guarantee plan has been in operation. (See Table 11.) This was primarily due to changes in process and manufacturing methods which necessitated laying off people chiefly in the finishing department. The four full-time employees who were laid off in 1926 belonged to a special group of carpenters, bricklayers, and helpers who were originally engaged for extensive construction work at the two mills. At the time they were employed they had been added to the regular maintenance force merely to avoid the inconvenience and extra expense of hiring an outside contractor. When the special construction work for which they had been engaged was completed they were laid off.

The rise in the number of voluntary leaves during the years 1922 and 1923, and the subsequent fall in the number of such separations in 1924, 1925, and 1926, is explained by the research department as follows:

"In 1921 general business was very poor, and jobs were rather hard to get. Consequently the majority of wage-earners stuck fast to whatever work they had.

"In 1922 and 1923, however, things loosened up a bit, jobs became more plentiful, and workers began to shift about. Our unemployment guarantee and other benefits were too new and untried at that time to be a deterrent to restless folks, and hence a considerable number of our people yielded to the general impulse for change.

"In 1924, 1925, and 1926, the protection of our unemployment guarantee began to be felt by a larger percentage of our employees; the service differential gradually assumed substantial proportions in individual pay envelopes; and experiences accumulated here and there in the plants that tended to bring morale to a higher point than it had ever reached before. All these influences, together with a gradual slowing up of a general business momentum in the local field, caused employees to set a special value upon their jobs with us. This attitude was reflected in the decreased number of voluntary leaves during 1924, 1925, and 1926." (See Table 11.)

A test of the efficacy of the employment guarantee as a means of holding workers came in August, 1923. The local firemen's union called a strike, and their members in other paper mills walked out. The Crocker-McElwain Co. and the Chemical Paper Manufacturing Co. pointed out the fact that any of their employees who walked out would lose all privileges, including the employment guarantee. The firemen in these organizations accordingly went to union officials and said they would not join the strike because they could not afford to lose their employment guarantee. They were not called out, nor were they excluded from the union.

TABLE 11.—Number of employees of under five years' service laid off for lack of work

Chemical Paper Manufacturing Co.:		Crocker-McElwain Co.:	
1921.....	3	1921.....	12
1922.....	2	1922.....	5
1923.....	6	1923.....	1
1924.....	5	1924.....	2
1925.....	8	1925.....	26
1926.....	11	1926.....	26

<sup>1</sup> Four of these were 5-year men, laid off due to reorganizing maintenance force.

Separations of employees for other reasons than discharge or lay off

Year	Chemical Paper Manufacturing Co.				Crocker-McElwain Co.			
	Voluntary under 5 years	Leaves 5-year men	Death	Strike troubles	Voluntary under 5 years	Leaves 5-year men	Death	Strike troubles
1921.....	65	—	1	18	37	—	1	28
1922.....	101	—	0	0	115	1	2	0
1923.....	142	1	2	0	119	2	1	0
1924.....	51	—	3	0	49	1	0	0
1925.....	61	—	2	0	56	1	1	0
1926.....	50	4	4	0	32	3	6	0

Discharges of both 5-year and other employees

Year	Chemical Paper Manufacturing Co.		Crocker-McElwain Co.	
	Under 5 years	5-year men	Under 5 years	5-year men
1921.....	12	0	7	0
1922.....	25	0	17	0
1923.....	13	0	11	0
1924.....	8	1	14	2
1925.....	9	0	3	0
1926.....	8	0	5	0

3. *Opinions concerning plan.*—Workers seem enthusiastic about being sure of steady work. A few, on unskilled work in which they are not particularly interested, do not seem to care about being guaranteed employment, while others, both skilled and unskilled, who apparently like their jobs, regard the idea of steady work with great favor, expressing their pleasure in being able to undertake home buying and other responsibilities with some sense of security. One woman stated that she had formerly had to hunt jobs of washing and scrubbing to tide her over periods of unemployment, and she claimed she voiced the sentiment of her fellow workers in regarding steady work on a regular job as a great improvement.

One of the executives stated that it was impossible to foresee whether the plan would be continued in case all the employees became eligible to the privileges of the plan. He said that it was his personal opinion that the saturation point might be reached when 65 per cent of the workers were covered, as some turnover must be expected. He added, however, that he thought the plan could still operate with everyone included, because of the savings effected by reduced turnover and improved morale. The fact that the number of 5-year contract men is constantly increasing is, they claim, sufficient justification of the plan. (See Table 12.)

The management of the two mills estimates that in slack times they do not furnish many more "odd jobs" to their 5-year people than other paper mills in the vicinity furnish to keep their plants in good condition, and therefore the cost of their guarantee is not much greater than the ordinary cost of cleaning and repairing and of holding an organization together as in other plants. Moreover, they have the added satisfaction of building up loyalty by increasing the number of their regular full-time workers.

In the light of the foregoing facts, the amounts paid for contract work, as shown in Table 9, page 60, represent extra expense because of slack work only in so far as they cover the difference between what is paid to highly skilled employees at their regular rates, and what unskilled workers would be paid for the same work. The fact that some of the work done by employees during the plant shutdowns could have been done by a cheaper grade of labor is more than compensated for, according to the management, by retaining in the organization reliable, trained workers.

One of the results of the plan obvious to the casual observer is the exceptionally clean and orderly appearance of the plant. It is taken for granted that any time an employee has no work on his own job he can be kept profitably busy on some form of housekeeping. This is all part of the realization of the aim of the companies to offer to their employees of five years' service and over full-time work, not merely full-time pay, their attitude being that it is conducive to a worker's self-respect to be paid for working instead of for idle time. Consequently, every effort is made to find work for him, even though it may be a case of polishing the corners overbrightly.

After some years of careful experimentation with the plan the companies feel that it has been worth while, and they express the hope that they may be able to continue it indefinitely.

TABLE 12.—*Employees under contract*

Year	Chemical Paper Manufacturing Co.			Crocker-McElwain Co.		
	Average number em- ployees	Number contracts	Per cent of total em- ployees	Average number em- ployees	Number contracts	Per cent of total em- ployees
1921.....	331	65	19.6	261	74	23.3
1922.....	325	80	24.6	245	82	33.5
1923.....	351	104	29.6	281	98	34.9
1924.....	358	142	39.6	265	95	35.8
1925.....	367	166	45.2	239	107	44.7
1926.....	373	167	44.7	237	108	45.5

JOHN A. MANNING PAPER CO. AND MANNING ABRASIVE CO., TROY, N. Y.

#### BACKGROUND

1. *The company.*—Employees in the production departments of the John A. Manning Paper Co. and the Manning Abrasive Co., at Troy, N. Y., are covered by a plan of unemployment compensation. When the plan was inaugurated in 1922 there was a third corporation known as the Manning Fibre Products Co., but it has since been merged with the John A. Manning Paper Co. and is known as the Mount Ida plant or board mill. The companies manufacture coated abrasives and a heavy rope paper for sacks and insulation. The total number of employees in June, 1927, was 523, divided among the three plants, as follows: Green Island Paper Mill, 236; Mount Ida Board Mill, 62; abrasives plant, 225. A counter factory that employed from 10 to 15 hands was discontinued in August, 1926.

The employees are unionized. The union membership on July 1, 1927, was as follows: Paper makers, 400; engineers and firemen, 15; machinists, 20; carpenters, 11; electricians, 3. The paper plants have been unionized for 20 years or more, and the abrasives plant for about 5 years. The latter has a larger proportion of unskilled work than the paper mills and a higher rate of labor turnover. The nature of the work makes many of the jobs less desirable, and a number of Polish workers and boy "floaters" are employed. The management did not oppose union organization, and the fact that there has been only one labor dispute, a short strike which occurred about 15 years ago, testifies to the amicable labor relations which exist. Each department has a shop committee which takes up complaints with the superintendent, and those unsettled in this way receive the attention of the general manager and the president of the union. The employees work under the terms of an annual agreement. Previous to May 1, 1927, the two paper plants worked three shifts of 8 hours per day and a total of 48 hours in a week, but on that date the weekly hours for the 11 p. m. to 7 a. m. shift were reduced to 40 by the elimination of the Sunday morning "trick." The abrasives plant has a 48-hour week with only one shift daily.

2. *Union agreement with employment guaranty.*—The first step for the protection of employees against unemployment was taken May 1, 1919, when the union agreement established a guaranty of 52 weeks' employment in the year for all employees with a record of one year of continuous service, and willing,

if it were necessary for the purpose, to perform such reasonable work as might be assigned to them. This experiment was discontinued May 1, 1921. The management objected to it chiefly because of the numerous misunderstandings over discharge which it involved, particularly in the abrasives plant. They assert that workers discharged for cause often thought they were being released so that the management might escape its responsibilities under the guaranty provision; that some interpreted the plan as guaranteeing the highest rate of pay the employee might reach during the year, even if his job had been changed or his department discontinued, and that it was used as an argument against reduction in pay for purpose of discipline.

3. *Manning welfare association.*—Accordingly, in 1922, the Manning Welfare Association was organized. The by-laws provide that employees in the production departments of the companies may become members of the association if they have been continuously in the employ of one or more of the companies for not less than one year preceding the date of application. Management of the association is vested in an executive committee composed of five representatives appointed by the companies and 12 elected by vote of the membership. Company representatives are not permitted to vote. It is stipulated that the number of representatives elected from the membership must fairly represent the various plants and the several crafts. There are two representatives from each of the following groups: Firemen and engineers, millwrights, machinists, and electricians; paper makers, Green Island mill; paper makers, Mount Ida mill; counter makers; sandpaper makers.

The by-laws make provisions for benefits in the form of life, sickness, accident, and unemployment compensation. The initial dues may not exceed 15 cents per week for each member toward the cost of life insurance, and not more than 15 cents per week for sickness and accident insurance. As the cost of the unemployment benefits is borne entirely by the company, the total dues per member may not exceed 30 cents per week.

Members of the association or employees who have signified their intention to become members upon the completion of the 1-year waiting period are entitled to 2 days' annual vacation with pay for every year of continuous service up to a maximum of 12 days.

The administration of the life insurance and sickness and accident benefits is placed in the hands of two standing committees which are given power to fix the weekly amount to be paid by the companies and members within the stated minimum and maximum contributions. The firm reserves the right to withdraw from any of its obligations under the by-laws of the welfare association at the end of any calendar year or at any time that the number of members falls below 75 per cent of the employees eligible for membership.

#### PROVISIONS OF THE PLAN

The provisions of the plan are as follows: Unemployment insurance shall be borne entirely by the companies in the form of a guaranty to pay to each member who may be unemployed because of inability on the part of the companies to furnish employment of some kind, a sum not exceeding \$72 in any one calendar year; this insurance to be paid in such amounts as will insure the member a minimum income of \$9 per week.

\* \* \* All matters of administration connected with this insurance shall be placed in the hands of a standing committee on unemployment insurance with full power to determine the amounts payable to any member as provided herein and to make such rules and regulations as may be necessary.

\* \* \* The standing committee on unemployment insurance shall be composed of the chairman, the secretary, and three others elected from and by the executive committee and any elected member may be removed and replaced at any time by vote of the executive committee.

In practice, any member of the association whose weekly wages fall below \$9, because of lack of work either in the form of lay off or short-time or through temporary transfer to a job at lower wages, is paid the amount by which his earnings fall short of \$9 up to a total of \$72 for such payments in the calendar year. No benefit is paid when an employee is dismissed for lack of work or any other cause. Employees are not entitled to benefit if they refuse transfer to other work available in any of the three plants. Workers on lay off and receiving benefit do not forfeit it by accepting employment with another employer as long as their services are not required on their regular jobs.

There is no waiting period and overtime is not offset against unemployment. In the case of temporary transfers employees receive the wages paid on the new job or on the old, whichever is the higher. If the transfer is permanent the employee is required to accept the regular wage of the new job.

In the 5-year period, 1922-26, a total of \$471.96 has been paid in benefits to 39 employees. The amount is so small that the firm has given no thought to the establishment of an unemployment fund.

#### ADMINISTRATION

The unemployment compensation provisions are under the supervision of the welfare association, but benefits are paid by the firm on the regular weekly pay day. Complaints are dealt with by the unemployment insurance committee of the association, which also passes on claims for benefit. The committee has been elected every year but it has not met since 1924 as there have been no cases for its attention.

The management is more interested in affording continuity of employment than in paying unemployment benefits, and the nature of the industry has enabled them to keep employees fairly well employed on cleaning, painting, and repair work and other maintenance work that is generally deferred when production is at the full.

They assert that they have taken money from profits in order to stabilize employment and that in 1928 about \$57,500 has been expended in making work.

The agreement with the union stipulates that when a machine is operated its full complement of men shall be employed, and the management acknowledges that a machine could not be operated satisfactorily with a skeleton crew. There can be no rotation lay offs or half crews.

The products of the abrasives plant are distributed to a large number of customers and this has favored the management's efforts to stabilize employment. Sometimes busy periods in the paper mills and the abrasives plant have alternated and it has been possible to transfer workers between these two departments as the employment situation demanded. Transfers from the paper mills to the abrasives plant have been more feasible than those in the opposite direction, for there is a larger proportion of unskilled work on abrasives. At times when there has not been sufficient employment to permit the transfer of unemployed workers from the paper mills, some of the newer employees of the abrasives plant have been released to make places for paper-mill workers of longer standing. There is always a larger proportion of new employees in the abrasives plant than in the paper mills and through the seniority principle the work on abrasives becomes an employment reserve for the paper-mill force. (See Chart 10, p. 77.)

The management, the union, and the welfare association are in accord on the principle of seniority in the release of workers. Transfers of workers are reviewed by the shop committee. Ordinarily, when skilled workers are taken on they are advised by the superintendent of the plant that they are expected to join the union of their craft, for in its contract with the union the firm agrees to inform all new employees that they must become members of the union as soon as they are classified as permanent employees. When extra construction work, involving temporary employment of additional men, is being undertaken, the management and the unions agree that the newcomers shall not be notified to join the union. Accordingly, they remain nonunion workers whom the management can let out at all. Practically without exception, employees apply for membership in the welfare association as soon as they become eligible. As a general rule, however, the number of employees less than one year on the pay roll is sufficient to enable the firm to confine release to that group.

The management is constantly planning to reduce labor costs by mechanization and improvements in process. When technological changes result in the displacement of senior employees, the practice is to permit them to take the positions of junior workers, usually nonmembers of the welfare association, who are then released. The men transferred in this way must accept the regular wages of the new job, but they lose none of their seniority rights in such matters as vacation and if openings occur in their old work they are reinstated. When electric power was substituted for steam recently, most of the displaced engineers elected to take advantage of this procedure and to remain with the firm on other jobs. When automatic drying machines were installed in the Mount Ida plant in the winter of 1926-27 and supplanted the old method of drying in lofts, the jobs of several men were affected. Toward the end of 1926,

the number of employees on the Mount Ida pay roll averaged over 100, but in May, 1927, this figure was about 75 and an ultimate decline to 60 is expected. Several of the displaced workers were transferred, and while employment was provided for all those of long standing a number of the newer men were released. The management asserts that except for dislocations resulting from changes of this kind, there has been little unemployment and the seniority policy has not only minimized the effect of these changes upon the workers, but has prevented opposition to the introduction of machinery. The employees are strongly in favor of the seniority principle.

#### SUMMARY OF EXPERIENCE

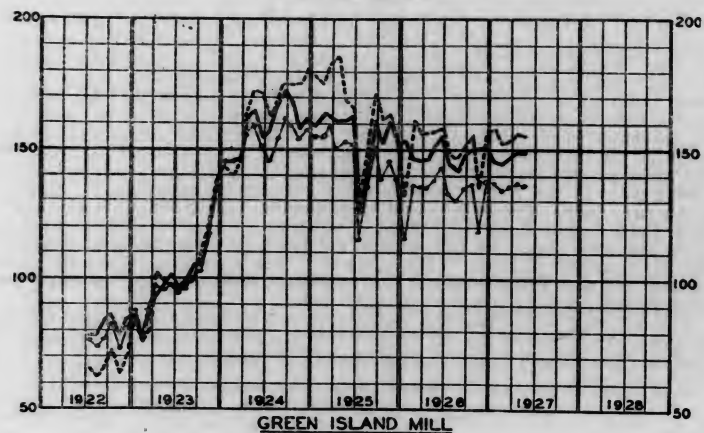
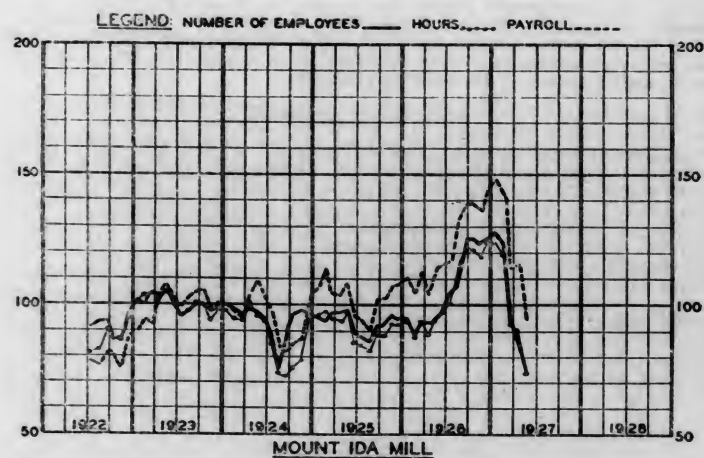
Immediately after the unemployment compensation plan was established in 1922, employment began to expand in both paper plants, but especially in the Green Island mill which, in 1924, registered an increase of almost 100 per cent over 1922. (See chart 5.) Since then this mill has shown a steady decline in employment with a marked quiet period in the summer of 1925. Employment in 1927 was about 25 per cent below the peak of 1924. Per capita earnings are considerably better than at the beginning of the record in both mills. In the Mount Ida plant the peak of employment was reached in 1923, a year earlier than in the Green Island mill. The decline which followed was interrupted in the winter of 1926-27 when employment expanded about one-third, only to drop in early summer to the lowest point since the plan was established. The general trend of employment in the abrasives plant has been upward since the inception of the plan (see chart 6) and this has largely offset the falling off in the paper mills, so that for the organization as a whole the employment curve has moved sidewise with comparatively little fluctuation since summer 1924. (See chart 6.)

In both paper plants the shrinkage in employment has chiefly affected the common and unskilled workers. (See charts 7 and 8.) Indeed, in the Green Island mill the number of skilled and semiskilled employees was greater early in 1927 than at any time during the record while the number of unskilled workers had declined by 50 per cent from the peak of 1924. The Mount Ida plant has shown an upward trend in employment for skilled employees, but a downward trend for the unskilled. The inflation in the winter of 1926-27, confined almost entirely in the unskilled division, was caused by a change to new drying machines which involved employment of additional men on production because of the inefficiency of the operations during the change-over period. In the spring of 1927 the number of unskilled employees at Mount Ida reached the lowest point of the record. Obviously, in both plants technological improvements have chiefly affected the unskilled employees. In the abrasives mill where skilled and unskilled are about equal in numbers, employment has increased in about the same degree for both groups, but has been somewhat more irregular for the unskilled workers. (See chart 9.) The expansion in the unskilled division has been almost sufficient for the absorption of the unskilled employees released from the two paper plants since 1924.

The following table shows the membership of the welfare association for the company as a whole at the end of each year since its inception, the amount of unemployment benefits paid, and the number of beneficiaries:

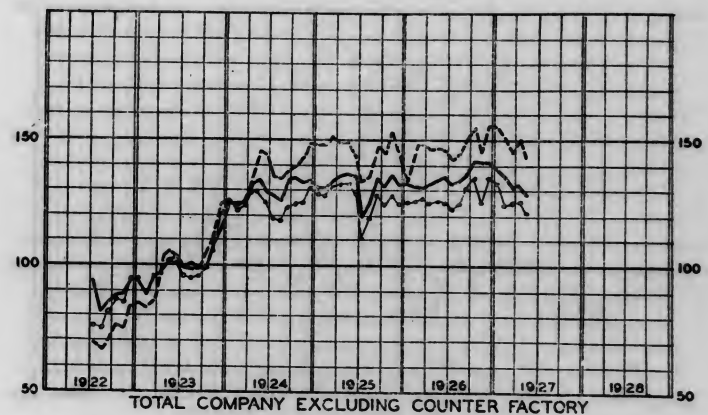
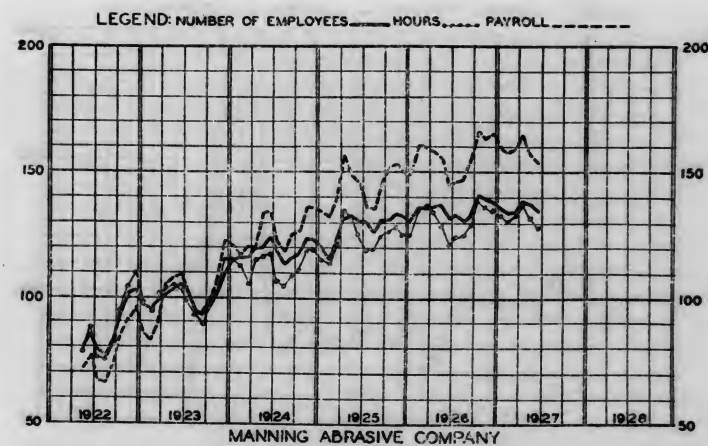
Year	Member-ship	Benefi- ciaries	Benefits
1922	248	38	\$471.66
1923	275	1	
1924	382		.30
1925	455		
1926	457		
1927 (to September)	484		

The management frankly states that the unemployment compensation provisions of the welfare association are considered of secondary importance. They provide no incentive to regularization. Indeed, since the maximum annual benefit for a worker is \$72 and the average daily wage is \$6, provision is made for about 12 days of unemployment in the year. But since benefit is paid only for weeks when wages fall below \$9, management by



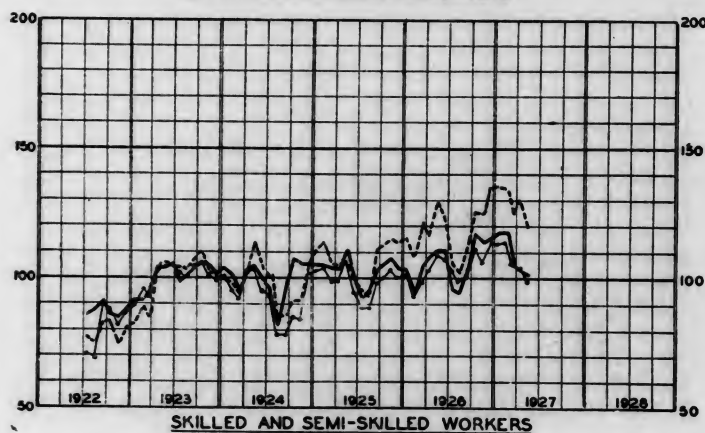
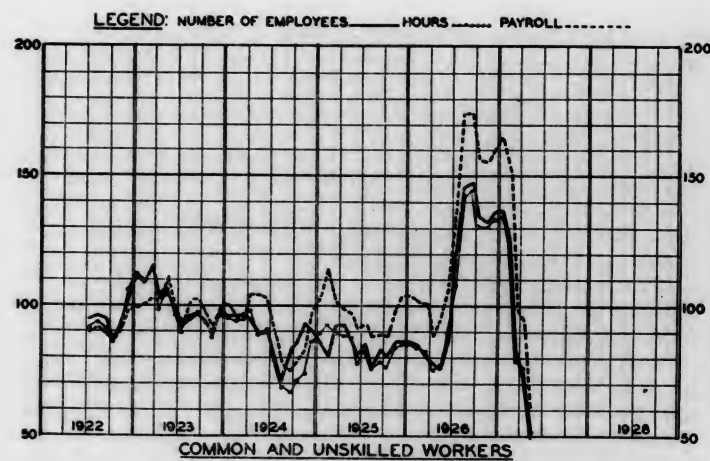
RELATIVE NUMBERS OF  
EMPLOYEES, HOURS AND PAYROLL TOTALS  
1923=100

JOHN A. MANNING PAPER COMPANY  
TROY, N. Y.



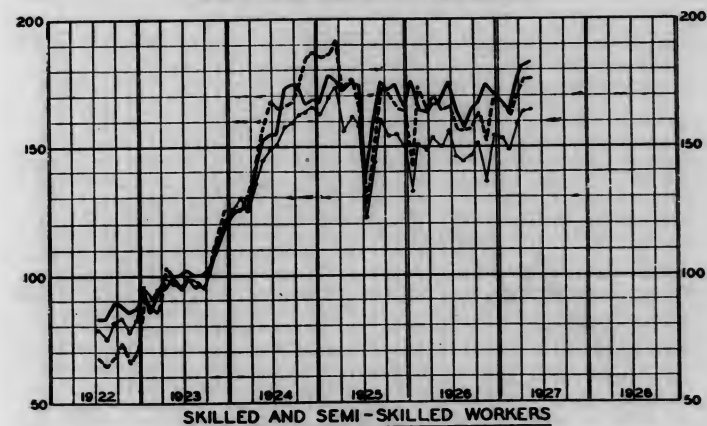
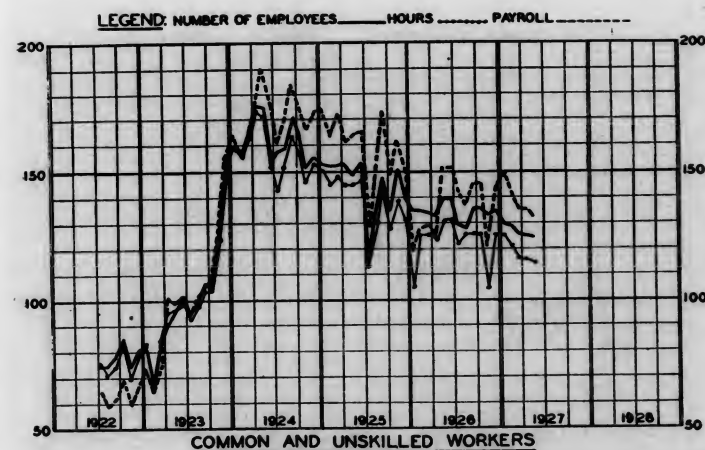
RELATIVE NUMBERS OF  
EMPLOYEES, HOURS AND PAYROLL TOTALS  
1923=100

JOHN A. MANNING PAPER COMPANY  
TROY, N. Y.



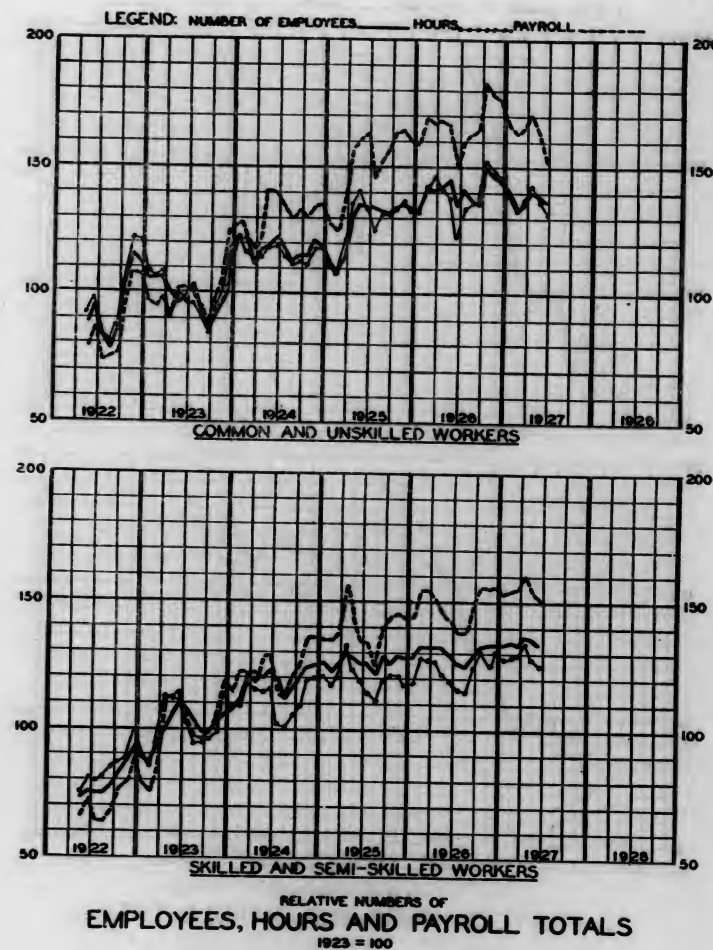
RELATIVE NUMBERS OF  
EMPLOYEES, HOURS AND PAYROLL TOTALS  
1923=100

MOUNT IDA MILL  
JOHN A. MANNING PAPER COMPANY  
TROY, N.Y.



RELATIVE NUMBERS OF  
EMPLOYEES, HOURS AND PAYROLL TOTALS  
1923=100

GREEN ISLAND MILL  
JOHN A. MANNING PAPER COMPANY  
TROY, N.Y.



MANNING ABRASIVE COMPANY.  
JOHN A. MANNING PAPER COMPANY  
TROY N.Y.

running the plants a day and one-half per week throughout the year could avoid the payment of any benefit whatever. At the time the study was made one of the paper mills was on a 5-day week schedule. Further, there is a considerable number of employees—about 15 per cent of the force on January 1, 1927—who are not entitled to unemployment benefits. These workers have not had the one year of continuous service necessary for membership in the welfare association and eligibility for benefits. In so far as the management is able to confine reduction in employment to these noneligibles, it can escape expenditure for benefits, and it must be remembered that practically no benefit has been paid after the first year of the plan. The records shows that members of the welfare association have had more regular employment than the rest of the force (see charts 10 and 11) and accordingly that this policy has been followed. However, the expansion which began in 1924 has been proceeding at a much slower rate in the past two years. The welfare association now comprises almost the whole body of employees, especially in the Mount Ida and Green Island mills (see chart 10) and the margin of insurance against benefit expenditures afforded the management by the nonmember group has been considerably reduced. The firm may find it more difficult to avoid payment of benefits in the future unless the rate of expansion is resumed or employment can be stabilized on the present level.

S. C. JOHNSON & SON, RACINE, WIS.

#### BACKGROUND

The firm of S. C. Johnson & Son, which manufactures such products as prepared wax for finishing floors, woodwork, and furniture, varnishes, enamels, and fillers, has its home office and factory at Racine, Wis. The company also operates plants at Brantford, Ontario; West Drayton, England; and Sydney, New South Wales. The number of employees at Racine in January, 1927, was 388, of whom 249 were office employees. Because of the firm's elaborate merchandising, for some years the office staff has been greater in numbers than the personnel of the plant. In addition there are about 110 salesmen and approximately 75 warehouse employees attached to some 20 different warehouses throughout the United States.

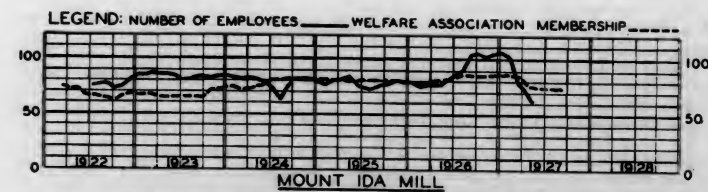
The company was established about 40 years ago and is regarded as one of the pioneers in the Middle West in the maintenance of high-labor standards. It was among the first to grant the Saturday half-holiday and the employees of the Racine plant now work on a 44-hour week basis. Employees on the pay roll for six months receive an annual vacation of one week with pay and those employed for one year or more receive two weeks' vacation with pay. This provision, which has always applied to the office staff, was extended to factory employees on December 1, 1922.

Throughout the greater part of the history of the firm, employment has been highly seasonal and a considerable number of temporary employees have been engaged in the spring and fall to take care of the rush at those periods of the year. But during the war especially, the management gave much attention to the problem of stabilizing production and succeeded in regularizing employment quite materially by reorganization of production, sales, finance, and personnel. Salesmen were kept on the road throughout the year rather than only in the accepted buying season and a considerable volume of export business, which in some degree alternates with the domestic demand, was built up. National advertising throughout the year has also played an important part. In the last decade annual advertising expenditures has increased from \$80,000 to over \$800,000.\*

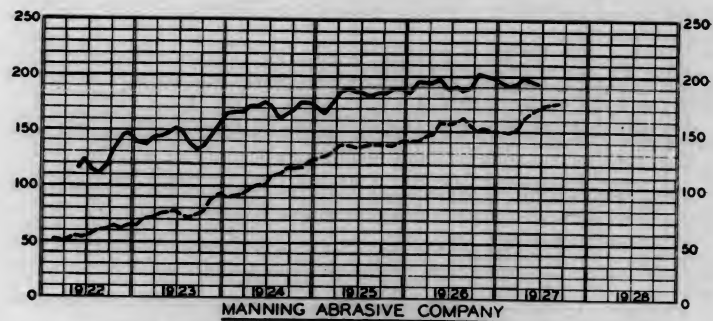
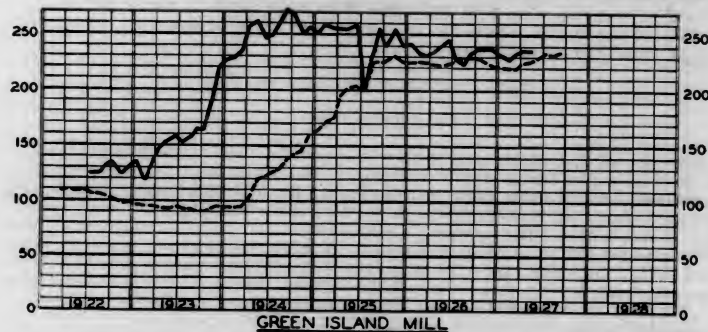
In 1922, a mutual benefit organization known as "The Johnson Mutual Benefit Association" was organized at the Racine plant. According to the terms of the plan all employees with six months of satisfactory service, whether employed in the office, on the sales force, or in the plant, are eligible for membership. Practically all eligible employees are members of the association.

The plan provides for life insurance, disability, and death benefits. The association's affairs are in the hands of a governing body of six members, four elected by the employees and two appointed by the management. The employees are grouped in three classes: Class A, consisting of employees

\* Herbert F. Johnson, "Sales doubled when we made our product easier to use, Johnson's floor wax and electric floor polishers." Sales management, Feb. 19, 1927, pp. 307, 308.



NOTE: WELFARE ASSOCIATION MEMBERSHIP EXCEEDS TOTAL EMPLOYED IN SOME MONTHS, AS EMPLOYEES ON VACATION ARE NOT INCLUDED IN TOTAL EMPLOYED.

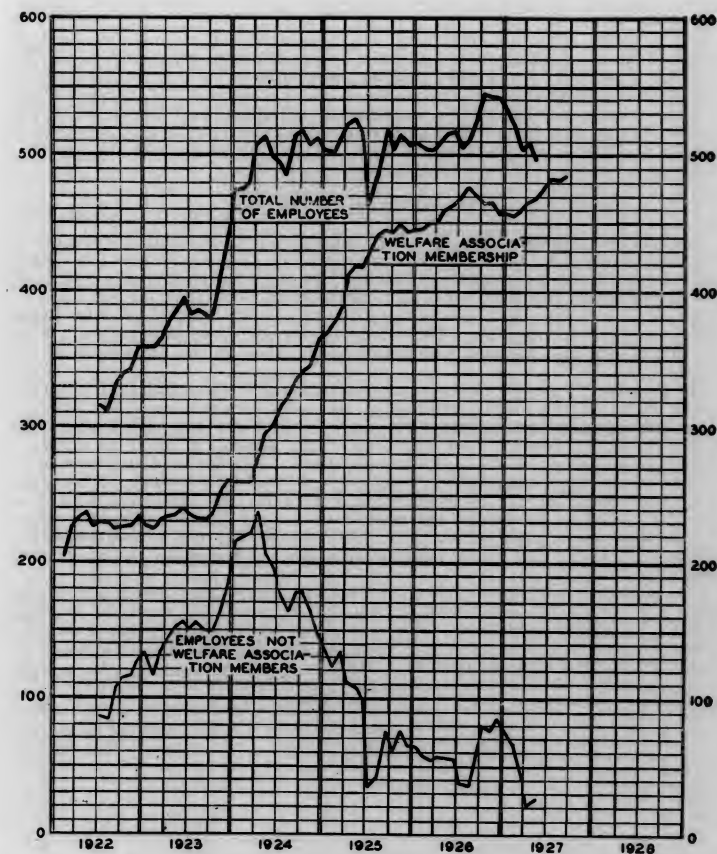


TOTAL NUMBER OF EMPLOYEES  
COMPARED WITH WELFARE ASSOCIATION MEMBERSHIP, BY MILLS

ACTUAL FIGURES

1922-1927

JOHN A. MANNING PAPER COMPANY  
TROY N. Y.



TOTAL NUMBER OF EMPLOYEES COMPARED WITH  
WELFARE ASSOCIATION MEMBERSHIP

1922-1927

JOHN A. MANNING PAPER COMPANY  
TROY N. Y.

receiving \$75 or less per month; class B, including those receiving wages between \$75 and \$200 per month; and class C, including all employees receiving a monthly wage of \$200 or more. Members of class A pay dues of 50 cents per month, those of class B \$1 per month, and those of class C \$2 per month. These dues are collected upon the authorization of the employees by the pay roll check-off method. The plan provides that any member of the association whose earnings rise to a higher class for a period of six months shall be advanced to the higher class, but no member whose earnings fall below his class for a period of six months shall be reduced from his classification except upon written application of the employee to the secretary of the governing board of the association. The constitution stipulates that members of the Mutual Benefit Association shall be covered by an unemployment compensation plan to be devised and administered by the governing board with the approval of the membership of the association.

#### PROVISIONS OF THE PLAN

The scheme as adopted provides that employees laid off shall be paid unemployment benefits at the same rate as disability benefits without the 6-day waiting period, for a maximum of 200 working days in the calendar year, and that payments on the same scale shall be made to cover time lost on six holidays: Christmas Day, New Year's Day, Decoration Day, Fourth of July, Labor Day, and Thanksgiving Day. These holiday payments are intended "to bring the pieceworker and the man who works by the hour on the same basis as the salaried workers."

The firm has guaranteed to pay into the treasury of the association annually a sum equal to the yearly average of its relief expenditures over the five years preceding the installation of the plan. It has also guaranteed an annual surplus of \$2,500 for the first 10 years of the scheme in order to create a reserve to maintain the life insurance provision. The funds of the association consist of the dues paid by the members and the contributions of the firm, but the treasury is relieved of all expenditures for unemployment benefit as the firm agrees to reimburse the association for all benefits expended under the unemployment provision, as well as for benefits for occupational disability paid under the State compensation law. No separate unemployment fund is maintained.

Unemployment benefits are effective from the first day of absence from any cause not within the employee's control, but cease if the employee becomes eligible for disability benefits. These unemployment benefits are really an extension of the earlier plan for vacation and holiday pay. Payment for shutdowns became effective October 1, 1923.

The scale of both disability and unemployment benefits is as follows:

	Per day first 100 days	Per day second 100 days
Class A.....	\$1.00	\$0.50
Class B.....	2.00	1.00
Class C.....	4.00	2.00

The smallest unit of lost time counted as unemployment is half a day, so that employees might have unemployment amounting almost to half time without benefiting under the scheme. Overtime work by an employee is not offset against his unemployment period nor does voluntary absence nor acceptance of other employment during the lay off affect his right to benefit. The sole requirement is that employees shall be members of the association and the check off insures that members are always in good standing. Unemployment benefits are not paid to workers dismissed for any cause.

#### SUMMARY OF EXPERIENCE

The management is constantly endeavoring to regularize employment still further, and by rearrangements in the plant was able to effect a 10 per cent reduction in the production force at the end of 1926, despite a doubling of

\* Letter from the treasurer, May 19, 1927.

sales within the last two years. In 1925, the firm introduced an electric floor polisher which, by making it easier to use floor wax, promoted a larger consumption of that product. A plan for renting the machine to housewives through dealers was worked out. The plan was nationally advertised and was introduced into Europe in the summer of 1926. It was the principal factor in the promotion of this greatly increased volume of business. Twelve factory employees were let out in the 1926 reduction of force, and as the plan makes no provision for employees released, they received no benefits. The management states that as a general rule, employees have 52 weeks of employment in the year except for time taken from vacations, public holidays, and inventory.

Table 13 shows that payments on account of holidays have been a much more important factor in the benefits than those on account of unemployment. Indeed, no unemployment benefits have been paid to office employees since the scheme was inaugurated nor to factory employees in class A (\$75 or less per month) and class C (\$200 or more per month). Of the total expenditure of \$7,454 in the period January, 1923, to April, 1927, inclusive, only \$276.50 has gone to the office staff and that entirely on account of public holidays. The benefits to factory employees in the same period have totaled \$7,177.50, but only \$2,923.50 or 40 per cent has been paid on account of unemployment and this entirely to employees of class B (between \$75 and \$200 per month). The largest unemployment payment was made in 1923, the first year of the scheme, when \$1,767 was distributed in seven months. The expenditure declined in 1924 and further in 1925, but in the last two years it has been rising. Except in the first year, no benefits have been paid in any month but January.

The small amount of unemployment benefit is due, apparently, to the expansion in employment which the firm has experienced since the scheme was established. (See chart 12.) While this has been approximately twice as great in the office as in the shop, the trend of shop employment has been upward from year to year except in 1924 and 1926. Although in 1924 employment was below the level of 1923, benefits amounted to only about one-third of the 1923 total. Evidently the firm was able to effect the necessary reduction in staff by releasing employees before they became eligible for benefit or by dismissing temporary employees not entitled to membership in the association or by final discharge of members of the benefit association. Despite the decline in the number of shop employees in 1924, the amount of the pay roll increased and has continued to mount more rapidly than the number of workers. The decline in employment that began toward the end of 1926 resulted in the release of a number of workers and the payment in January, 1927, of an amount of benefit much greater than the annual totals for either of the two previous years. If the shrinkage continues the firm will have to meet further benefit payments or release more workers without unemployment compensation.

TABLE 13.—Unemployment and holiday benefits January, 1923, to April, 1927, S. C. Johnson & Son

	Unemployment benefits		Holiday benefits				Total benefits	
	Shop employees	Amount of benefits	Shop employees	Amount of benefits	Office employees	Amount of benefits	Number of payments	Amount
1923								
January.....	20	\$63.00	70	\$276.00	8	\$16.00	98	\$355.00
May.....	7	7.00					7	7.00
June.....			68	135.00	12	12.00	80	147.00
July.....					8	8.00	8	8.00
August.....	3	12.00	71	148.00	9	9.00	83	169.00
September.....	63	730.50	73	146.00	16	16.00	152	892.50
October.....	66	274.00					66	274.00
November.....	91	524.50					91	524.50
December.....	39	156.00	71	142.00	15	15.00	125	313.00
Total.....		1,767.00		847.00		76.00	710	2,690.00

<sup>10</sup> The pay roll totals used in the chart include pay for holidays and unemployment and the number of employees includes employees on vacation and regular employees temporarily out of work.

TABLE 13.—Unemployment and holiday benefits January, 1923, to April, 1927,  
S. C. Johnson & Son—Continued

	Unemployment benefits		Holiday benefits				Total benefits	
	Shop employees	Amount of benefits	Shop employees	Amount of benefits	Office employees	Amount of benefits	Number of payments	Amount
1924								
January.....	49	\$586.50	72	\$288.00	13	\$25.00	134	\$899.50
March.....					10	5.00	10	5.00
June.....			67	181.00	10	10.00	77	191.00
July.....			68	203.00	10	15.00	78	218.00
September.....			69	138.00	8	8.00	77	146.00
December.....			77	154.00	7	7.00	84	161.00
Total.....		586.50		964.00		70.00	460	1,620.50
1925								
January.....	35	110.00	76	303.00	6	12.00	117	425.00
June.....			77	77.00	10	5.00	87	82.00
August.....			79	79.00	12	6.00	91	85.00
September.....			89	178.00	14	14.00	103	192.00
December.....			91	182.00	14	14.00	105	196.00
Total.....		110.00		819.00		51.00	503	980.00
1926								
January.....	47	172.00	92	553.00	13	32.50	152	757.50
June.....			101	202.00	9	9.00	110	211.00
August.....			102	204.00	9	9.00	111	213.00
September.....			99	204.00	8	8.00	107	212.00
December.....			106	214.00	10	10.00	116	224.00
Total.....		172.00		1,377.00		68.50	596	1,617.50
1927								
January.....	51	288.00	79	247.00	11	11.00	130	546.00
Grand total.....		2,923.50		4,254.00		276.50	2,399	7,454.00

LEEDS &amp; NORTHRUP CO., PHILADELPHIA, PA.

## BACKGROUND

The Leeds & Northrup Co., manufacturers of electrical measuring instruments and pyrometers, employs approximately 600 people, about 303 of whom are engaged in production and the remainder in sales, research, engineering, and factory service divisions. On October 4, 1927, of the 590 employees on the pay roll, 566 were eligible for unemployment compensation.

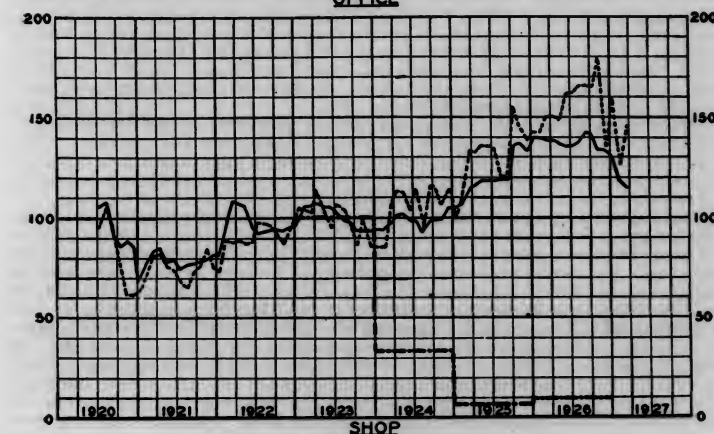
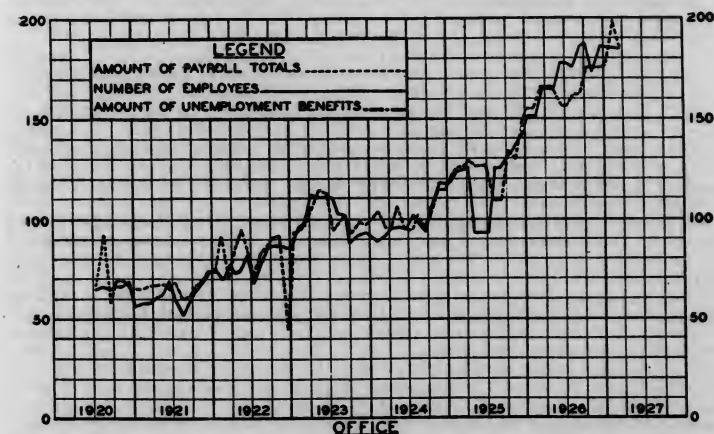
The company, headed by Morris Leeds, a Quaker employer with high ideals and business acumen, has long had an enviable reputation and has been one of the pioneers of the Quaker firms in and near Philadelphia. For many years the officers of this company have devoted earnest thought to sound industrial relations and to intelligent measures for the maintenance of a healthy and prosperous working force.

Besides the unemployment-benefit fund, the company has a vacation savings plan and a pension plan. There is a relief association which collects dues and furnishes financial aid to employees in case of illness or quarantine. It also makes loans in case of valid need. Group life insurance is handled by this association and the company on a cooperative basis.

Employee representation operates through an organization known as the cooperative association, the constitution of which requires the membership of all employees of the company. The legislative and executive powers of the association are vested in a council known as the board of councillors, elected annually by employees under the supervision of a committee on election. The committee on election is appointed by the retiring council. The council consists of a general wages committee, several minor wages committees, and an appeal board. No departments or groups are organized in trades unions.

An intelligent attempt to keep the workers closely in touch with orders, production, and sales is made by posting daily records in the employees' dining room.

In former years, only laboratory-electrical instruments were manufactured by this company, the product going chiefly to college and technical laboratories, but during the last decade because of the rapid growth of technical control of processes in industry, apparatus which was formerly confined almost wholly to laboratories is now used quite generally in the shop. This development has

RELATIVE NUMBERS OF  
EMPLOYEES, PAYROLL TOTALS  
& UNEMPLOYMENT BENEFITS

1923=100

1920-1927.

S. C. JOHNSON & SON  
RACINE, WIS.

naturally tended to bring about a greater stability of employment than would otherwise have been the case.

There is little seasonal unemployment in this plant, chiefly because of the growing number of fields in which the products of the firm are used. In

addition to this factor of growing diversification of use, the company executives have consciously attempted to maintain as nearly as possible a constant number on the working force and a uniform output. The measures recommended to bring about this stabilization in the Leeds & Northrup Co. are stated by the firm as follows:<sup>1</sup>

1. Study and experiment to perfect business forecasting.
2. Apply extra sales energy when sales are most needed.
3. Study new outlets, to get broader distribution.
4. Maintain intensive research for product improvement.
5. Make financial provision for manufacturing standard products to stock.
6. Adjust hours to business volume, to prevent unnecessary hiring.
7. If, in spite of all this, lay offs become necessary, be prepared with an emergency fund to carry regular employees till business picks up.

The normal working week is 44 hours, but the management's policy is to have it thoroughly understood throughout the organization that flexibility of hours is more desirable than the taking on and laying off of people according to business conditions.

Overtime is paid for at the rate of time and a half. Double time is credited being the hours worked each day. Office employees work 8 hours a day and 4 on Saturday, excepting during the summer, when they also have a 5-day week if the work permits.

Overtime is paid for at the rate of time and a half. Double time is credited for any work done after 10 p. m. and for Sunday and holiday work.

All workers are paid on the basis of hourly rates. There are no piece-rate workers in the entire organization.

Vacation pay varies with length of service. Any hour worker may have two weeks without pay, and for every year of continuous service up to five years he receives pay for two of his vacation days on the basis of an 8-hour day. A man in the employ of the firm six years gets an added day's vacation and one holiday with pay, and for each additional year above six and up to nine and one-half years of total continuous service, he gets full pay for two of the regular plant holidays. A worker in the employ of the firm nine and a half years, therefore, gets 11 vacation days and 8 holidays with pay. Vacation pay is accumulated by deductions from the pay roll until August, when all eligible employees take their vacations.

Salaried employees are given from one to two weeks' vacation with pay, depending on the time when they entered the service of the company. Each salaried worker, moreover, is given one day off, at a time which is satisfactory to both him and his department head, for every year of continuous service up to 11 years.

There are eight plant holidays; besides the usual six, Washington's Birthday and Easter Monday are observed.

During the acute depression of 1920, the company found it necessary to lay off a large number of employees precipitately. Because of similar unpleasant experiences in 1920-21, a group of Quaker employers in and around Philadelphia considered ways and means of providing a fund for the amelioration of such conditions in the future. A committee was appointed to study plans already in existence and to recommend a workable plan. In order to determine the feasibility of establishing an unemployment fund, a study of employment data was made from four companies: Leeds & Northrup Co., the Miller Lock Co., J. E. Rheads & Sons, and the Stokes & Smith Co. The number of employees and the amount of the pay roll were obtained from these companies for the years 1910 to 1921, but it was felt that the data did not furnish sufficient evidence for authoritative conclusions.

The report of the committee in April, 1922, stated:

"We have considered the possibility that the business problems group (a section of the Quaker employers' group), as a whole might undertake some sort of cooperative unemployment insurance, but lacking further data we have been unable to see that this would be practicable. Neither would we propose that any company should assume any general liability to pay unemployment benefits. It has seemed to us, however, that it might be practicable for many companies individually to make a beginning in unemployment insurance by establishing a fund for the payment of certain benefits, and limiting all liability to the fund itself."

Further, the committee stated:

<sup>1</sup> Charles S. Redding, treasurer and factory manager of Leeds & Northrup Co., "We stick by our workers and they stick by us." *Factory*, May, 1927, p. 877.

"The idea has impressed itself upon us that much more accurate information on the subject of unemployment insurance is needed if an intelligent judgment is to be formed as to the meaning, usefulness, and practicability of unemployment insurance. We recommend that as many companies and firms as possible in our group should establish records for compiling the data needed."

A form for the keeping of necessary records was submitted by the committee, and such a form, with some modifications, is used by the Leeds & Northrup Co. and a large group of companies belonging to the group mentioned, for the purpose of compiling dependable data in the future.

This is one of the few examples where an attempt to get actuarial data over a period of years was made before an unemployment compensation plan was adopted, and where systematic records are still kept for present and future guidance.

It was assumed that the 1920 slump was probably as severe as any the company would ever be forced to face, and on this basis a plan was evolved. On February 17, 1923, the fund was started by setting aside the sum of \$5,000, and 2 per cent of the total pay roll from January 1 to February 17, 1923. Thereafter 2 per cent of the total pay roll was deposited in the fund weekly until the maximum agreed upon was reached. Benefits were first paid in October, 1924.

The object of the unemployment compensation plan, was, as stated by the president, "To aid industry in the reasonable discharge of its obligation to work people." He said that the distressful period of 1921 had brought to his attention the fact that whether people had work or not their children's education could not stop, nor did doctor's bills and grocery bills, and other expenses attendant upon mere living. The minutes of the board of directors of February 16, 1923, state an additional purpose as follows:

"Where the nature of the business of the Leeds & Northrup Co. is such as to require a specially skilled class of employees, and whereas in times of business depression, experience indicates that it becomes necessary to lay off a portion of said employees due to lack of work, with the consequent possibility of losing such employees permanently: Therefore be it

*Resolved*, That the company establish a fund," etc.

The word "insurance" is carefully avoided in connection with the plan, the employees' handbook concerning it being called "Unemployment Benefit Fund." There have been no changes in the plan since it was inaugurated.

#### PROVISIONS OF THE PLAN

1. *Source of fund.*—Because the company officials believe that industry should assume responsibility for the maintenance of steady work, the entire fund is contributed by the firm. It consists of an amount not exceeding 2 per cent of the total weekly pay roll until the contributions, with the accumulated interest, have brought the fund up to an amount equivalent to twice the maximum weekly pay roll in the preceding 12-months' period. When such an amount is reached, no further payments are made until at the end of any weekly period the fund has fallen below a figure equivalent to twice the maximum weekly pay roll in the preceding 12-months' period. The Germantown Trust Co. receives all contributions and invests the money upon written approval of the committee, certified to by the company. By provision of the trust agreement the money can not be converted to any other use than that specified and accordingly is not taxable. It is stipulated that in the event of the dissolution of the company the trustee (Germantown Trust Co.) shall dispose of the money according to its idea of carrying out the purpose of the fund. In so disposing the trustee need not have the approval of the company.

2. *Eligibility for benefit.*—Unless a special exception is made by the council and the executive committee, no one is eligible for unemployment compensation who is out of work because of a shutdown ordered by the civil or military authorities. Nor can a worker receive unemployment compensation because of "absences resulting from a vote, decision, or action by or disability of the employees themselves individually or collectively, nor for any loss of time on account of destruction of any portion of the company's property by fire." The unemployment fund committee may suspend or reduce payments in case of unemployment "resulting from lightning, earthquake, windstorm, or other act of nature" and the usual provision against duplication of payment is made in case State or national legislation is passed.

Everyone in the organization who is receiving under \$2,600 a year is eligible if he has been in the employ of the company more than three months and has not signed "a definite written statement" that his employment is temporary. The following agreement must be signed by temporary workers:

# AGREEMENT OF TEMPORARY EMPLOYMENT

Date \_\_\_\_\_  
In consideration of my acceptance of temporary employment with the Leeds & Northrup Co., I hereby waive all rights to share in the unemployment benefit fund of said company.

It is understood that this waiver of rights in the unemployment fund is null and void if written agreement is reached between the aforementioned company and myself whereby the temporary restriction of said employment is removed.

Witness \_\_\_\_\_

In the few cases each year where it becomes necessary to use temporary workers, their status is reviewed quarterly, and if the prospect of terminating the temporary work is not in sight the following form is filled out:

The agreement of temporary employment, as affecting the unemployment benefit fund, between \_\_\_\_\_ and the Leeds & Northrup Co. dated \_\_\_\_\_ is hereby declared null and void.

LEEDS & NORTHRUP Co.,  
Per \_\_\_\_\_

The fund is used for compensating not only employees who are laid off for lack of work, but also those whose earnings are reduced because their working hours are under the standard of 44.

3. *Scale and duration of benefit.*—The amount of compensation allowed to a laid-off employee with dependents is 75 per cent of his wages or salary for the normal working week of 44 hours (exclusive of attendance bonus) and 50 per cent to an employee without dependents. The number of dependents does not affect the amount of compensation paid.

A person whose earnings suffer because he has been transferred to another department on account of lack of work, or a person who for the same reason has his hours reduced below the normal 44-hour week, is given benefits amounting to the same percentage as for complete lay-off for the loss incurred.

Any transferred employee who refuses to accept a job which the committee considers suitable work for him forfeits his right to benefits.

When, during a slack period, an outside job is found which pays as much or more than the amount which would be received if the man were drawing unemployment compensation from the fund, payment of benefits automatically stops. When an outside job pays less than would be received from the fund, the firm pays him the difference between the two amounts. If an employee accepts an outside job which is unsatisfactory, he may have his case reviewed, and in case of a favorable decision he may be awarded benefits which would have been paid if he had not accepted the position outside.

The number of weeks for which compensation is allowed depends upon length of service according to the following schedule:

Length of service:	Weeks
3 months _____	3
1 year _____	5
2 years _____	10
3 years _____	15
4 years _____	20
5 years and over _____	26

Length of service is accumulated by adding a worker's present term of employment to the time he worked during periods preceding any lay offs he may have had.

There is no waiting period, payments accruing from the moment of lay-off, reduction of hours, or transfer.

4. *Discharges.*—In the employees' handbook the company states that no one will be laid off due to lack of work or discharged because of inability to do his work without being given at least two weeks' notice. This notice may be omitted if a person has "qualities which make him or her undesirable in any part of the Leeds & Northrup organization." If a worker feels he has been unfairly discharged, he has the right to present his case to the appeal board, which is made up of five members elected by the board of councilors.

The appeal board, to which disputes are referred, consists of five members of employees elected annually by the works council. Decisions of this board are referred to the management.

In case the appeal board recommends that a discharged employee be reinstated and the company does not reinstate him, he shares in the unemployment fund as if laid off for the number of weeks determined by length of service according to the foregoing table.

# ADMINISTRATION

1. *Administrative bodies.*—The administration of the fund is in the hands of a joint committee of the council and the executive committee, known as the unemployment-fund committee. Three members of this committee are appointed annually by council at its organization meeting, and two members are appointed annually by the company's executive committee. Rules governing the fund become effective only when finally approved by the council and the executive committee of the company.

The duties of the unemployment-fund committee consist of passing on all registrations for benefits, deciding all cases relative to dependents, reviewing cases receiving benefits if there be occasion for such review, and making decisions on all special cases not covered by rules.

All payments from the fund are made by the trustee upon orders issued by the company in accordance with written instructions from the unemployment-fund committee, signed by three members of that committee, two of whom at least must be the council representatives. (See Exhibit 1.)

A monthly report of the state of the fund is made by the unemployment committee to the council and executive committee in case the fund is in active use for the payment of benefits. If there is no unemployment, only a yearly report is required and this is made at the annual meeting of the cooperative association.

2. *Payment of benefits.*—Payments are made by check on the regular weekly pay day, which is Friday. The committee requires five days, however, for approving applications for compensation, so that in practice the first payment becomes due the first Friday after this 5-day period.

Employees register their applications for benefits on the following form:

Dept. \_\_\_\_\_ Clock No. \_\_\_\_\_

# REGISTRATION FOR BENEFITS FROM UNEMPLOYMENT FUND

Name \_\_\_\_\_ Date \_\_\_\_\_

Request for benefits on account of lay off, transfer, reduction of hours, discharge—

Beginning \_\_\_\_\_

(Date)

Number of persons dependent on your earnings \_\_\_\_\_

Relationship of dependents to you and ages \_\_\_\_\_

Entirely dependent \_\_\_\_\_

Partially dependent \_\_\_\_\_ To what extent \$ \_\_\_\_\_ per week.



As a matter of fact, lay offs on account of lack of work have been few in number since the plan went into effect. Eight men have been laid off, four of whom had had less than one year's service with the company and the other four from one to four and a half years' service. In most cases where benefits have been paid, positions have been secured before compensation ceased.

Although factory executives state they would try to place otherwise idle workers on painting, cleaning, and similar maintenance work if this seemed expedient, there have been so few lay offs that the occasion for doing this has not actually arisen.

As has been stated, the management considers the flexible working week of utmost importance for the proper functioning of their unemployment compensation plan. For a period of over nine months in 1926, the hours were estimated by the factory manager to be "averaging pretty close to 52 or 53 a week." The matter of overtime, which seemed by that time to be chronic, was submitted to the board of councillors and they voted to continue it. As a general rule, however, if a period of extra volume of work is prolonged to such an extent as to warrant the opinion that there is a sufficient expansion in business to justify a permanent increase in the working force, overtime is abolished and new workers are hired. The company finds the flexible working week basic to the plan and considers their experience with it highly satisfactory. In computing compensable unemployed time, this company does not balance overtime with subnormal time. Actual time lost under 44 hours is paid for each week.

In connection with the policy of encouraging employees to find other jobs in case their own work is slack, an instance is cited of a man who was laid off for lack of work and who took a position on a commission basis after looking around for several months for work. The company paid him the difference between what he earned on his new job and the benefits he would have been entitled to if wholly unemployed, until his commissions equaled his previous earnings.

It is evident that the aim of the executives is to do away with any necessity for what they term the "expedient" of an unemployment fund. This they hope to accomplish by more effective preventive measures which will eventuate in complete stabilization.

As one of the executives stated:

"It is our first responsibility to assure steady operation; after we have failed to maintain that, then we feel the obligation to alleviate the results of our failure to accomplish this very important result. In this cause our unemployment fund was set up."

The company is furnishing to Industrial Relations Counselors (Inc.) a complete record of employment experience since January, 1920. This record will contain the following information for each month of the period:

1. Number of employees covered by plan.
2. Hours worked by employees covered by plan.
3. Pay roll of employees covered by plan.
4. Number of employees not covered by plan.
5. Hours worked by employees not covered by plan.
6. Pay roll of employees not covered by plan.
7. Total number of employees.
8. Hours worked by all employees.
9. Pay roll of all employees.
10. Total overtime worked.
11. Total subnormal hours.
12. Number of temporary workers employed.
13. Number of temporary workers discharged.
14. Number of permanent lay-offs for lack of work.
15. Number of claims for unemployment insurance.
16. Number of claims for unemployment insurance granted.
17. Number of unemployment benefits paid.
18. Amount of unemployment benefits paid.
19. Contributions to unemployment fund.
20. Unemployment fund administrative expense.
21. Total number of employees leaving.
22. Employees covered by plan who left.
23. Employees not covered by plan who left.

In the final report it is hoped that a complete analysis of these data and an evaluation of the results of the plan can be made.

# THE PROCTER & GAMBLE Co., IVORYDALE, OHIO

## BACKGROUND

1. *The company.*—The Procter & Gamble Co. manufactures soaps, salad oils, cooking oils, cooking fats, besides such intermediary products as glycerine, stearic acid, and cottonseed lint. Tin cans for the use of the plants of the company are also manufactured. Over 6,500 workers are employed in all the plants of the company. The employment guaranty plan covers over 5,000 workers. These workers are in the plants at Ivorydale, Ohio; Port Ivory, Staten Island; Kansas City, Kans.; Hamilton, Ontario; and in the district offices in 30 cities. The plan does not as yet apply to the plants at Dallas, Tex., and Macon, Ga., nor to the 10 large cottonseed-oil plants in the South which operate only during the seed-crushing season, a period of from two to six months a year. It is hoped that continuity of work in the southern mills may be effected by developing the use of another raw product, to which question much attention and research are being directed.

The plant at Ivorydale, inasmuch as it is the largest and oldest plant of the company, offers more data in relation to the employment guaranty than any other plant. On October 1, 1927, there were 2,764 workers in this plant, of whom 2,038, or about 73 per cent, of the total number of employees were profit sharers. Profit sharers are automatically covered by the employment guaranty.

Following is the schedule of regular hours in effect April, 1927:

Shift lengths	Employees
6 hours	2
8 hours	339
9 hours	1,847
10 hours	164
11 hours	74
12 hours	171
13 hours	35

Employees working 10 to 13 hour shifts work only 5 days per week, as do the night shifts. Practically all employees have the Saturday half holiday, and all 9-hour employees have Saturday afternoon off. No Sunday work is permitted, except where absolutely necessary, as in the gas plants and boiler houses. About 25 per cent of people working 10 hours are doing moderately heavy labor; the balance of those working more than 9 hours are pump men, still operators, oil refiners, etc., doing work which enables them to rest at frequent intervals.

Records of the amount of overtime worked before and during the life of the employment guaranty are not available.

There is no vacation with pay for factory workers. The usual six holidays are observed and are not counted as unemployed time.

Employee representation takes the form of a joint conference committee which consists of one representative for every 50 workers. The only workers organized in a trade union are the machinists.

Technological improvements have not reduced the volume of employment as might have been expected. This is because of the changes in products made and the raising of quality standards throughout the plant. The technological improvements have been largely in manufacturing flake and other modified soap products which always require a greater number of operators than bar soap for a given production. Roughly speaking, the manufacture of flakes and powders requires twice as many people as a corresponding number of units of bar soap.

2. *The employment guaranty plan.*—On August 1, 1923, the employment guaranty plan of The Procter & Gamble Co. was announced, after complete reorganization of sales policy had been effected and coordination of production and sales had modified the seasonal fluctuations of employment. It had been considered advisable to give a thorough trial to the new policy of direct selling (which supplanted the former method of dealing with jobbers) for a period of over two years before any definite pronouncement concerning a guaranty plan was made. Successful advertising, wise sales policies including the selection and supervision of intelligent salesmen who won the cooperation of dealers, scheduling of the receipt of raw materials of their conversion into manufactured products, and the distribution of manufactured product, and the

provision of adequate storage facilities, are some of the means of stabilization which were effected as a prelude to the installation of the plan.

The employment guaranty followed the introduction of profit sharing and other measures designed to improve the conditions of the workers and to gain their cooperation. The plan owed its inception to William Cooper Procter, the present president of the company, whose unflagging interest both in the details of production and in broad policies and procedure affecting morale, such as profit sharing, sick benefit, pensions, and other phrases of industrial relations, has had much to do with the success of the organization. The objectives in introducing the employment guaranty were to remove the fear of insecurity of income from the workers and to improve industrial relations, thus insuring a steadier, more cooperative group of workers.

#### PROVISIONS OF PLAN

1. *Source of fund.*—No fund was set aside by the company. It was understood that any expenses attendant upon the guaranty of steady work would be charged to profits.

2. *Text.*—The employment guaranty reads as follows:

"To employees located at Ivorydale, Ohio, factory, and participating in the Procter & Gamble profit-sharing plan, the undersigned company hereby guarantees full pay for full-time work for not less than 48 weeks in each calendar year, less only time lost by reason of the customary holiday closings, or through fire, flood, strike, or other extreme emergency, and subject to the following provisions:

"a. When an employee enters the profit-sharing plan after January 1 of any calendar year, it is the intent of the company to secure to him full pay for such of the 48 weeks under this guaranty as may remain in that calendar year.

"b. The company reserves the right under this guaranty to transfer an employee to work other than that at which he is regularly employed, provided he is compensated for same at his regular rate per hour.

"c. The company reserves the right to discharge any employee at any time and for any cause, and further reserves the right to terminate or modify this guaranty in whole or in part at any time after serving six months' notice to that effect.

"By this guaranty the employee is assured of regular work and regular income. He also receives profit-sharing dividends beginning at 10 per cent and running to 20 per cent of his wages each year. In addition, he is accumulating with but little effort on his part an investment from which he will receive the regular dividends paid upon the Procter & Gamble Co.'s common stock."

3. *Definition of unemployment.*—A man is considered unemployed when there is no work on his own job and when there is no other opening in the plant which he is capable of filling. When work is slack in a department every reasonable effort is made to place workers on jobs satisfactory to them, but unemployment compensation would not be given to a man who refused the job offered him. If workers report on a day when the employment department can not conveniently place them, they are given a half-day's pay. Transfers are effected whenever possible, however, so this seldom happens.

During the summer the plant closes down from two to nine days. In December also there is a short shutdown. These shutdowns are regarded as vacations without pay and not as unemployed time. As a matter of fact, such shutdowns have never approached a total of four weeks, hence they have never affected the 48-week guaranty.

4. *Eligibility for benefit.*—It is evident that to be covered by the employment guaranty an employee must be a participant in the profit-sharing plan. Profit sharing is open to any employee, except salesmen and traveling representatives, who has been in the employ of the company for not less than six months and who is earning \$2,000 or less a year. He may purchase at the market value the nearest number of full shares of the common stock of the company, the total cost of which equals the amount of his annual earnings. It is stipulated that an employee who elects to be a profit sharer pay not less than 5 per cent of his total annual wages until the stock is paid for.

5. *Transfers.*—In the original plan no provision was made for transferring workers in case of the complete elimination of a job or department as distinguished from temporary lack of work. This problem was precipitated when one of the three crews on switch engines had to be eliminated because

of the taking off of a locomotive. An engineer, a fireman, and several switchmen were out of jobs and there was no chance of reemploying them on the same kind of work. They were therefore transferred to other work at the same rates they had had. Workers on the same job who were getting lower pay accepted the discrepancy in rates with good spirit, after the matter was explained, but the firm saw that provision must be made for similar contingencies in the future. Consequently, on November 1, 1923, the following change in the employment guaranty was announced, to be put into effect May 1, 1924:

"If the transfer is the result of a full or partial shut down, or a temporary cessation of work in the department in which he is regularly employed, or an emergency in the department to which he is transferred, it shall be regarded as temporary and the employee shall receive, during such period of transfer, his regular wage rate per hour.

"If the cause of the transfer is the permanent termination of the particular department, or the particular job where he has been employed, it shall be officially recorded as a permanent transfer and the employee shall receive the wage rate which prevails for the work to which he has been transferred."

The supervisor of the employees' service department said, in March 1926:

"In the administration of the employment guaranty, one of the principal factors in making such a plan a success is the absolute and full cooperation of all foremen.

"Another very necessary element is the extensive use of the transfer, both intra and interdepartmental, which presents many difficulties, but when once thoroughly established and understood, proves to be a great advantage in the versatility developed by the individual involved.

"The employment guaranty has not yet produced a uniform and constant production in all departments. Departmental fluctuation probably will never be entirely eliminated, and the guaranty requires that at times foremen carry more employees than the work at hand actually justifies, and again on occasion they may be called upon to manage with departments slightly undermanned.

"An example of such a situation, and the methods employed to carry out economically the provisions of the guaranty may prove interesting. One of our departments is devoted to the extraction of oil from copra. Copra is the dried meat of the coconut and comes principally from the tropical islands of the Pacific, being transported by tramp steamers. It has therefore been very difficult to schedule the arrival of this raw material (although we have been assured by the purchasing department that it will eventually be done). When it seems probable that it will be necessary to close down this plant, the employment division immediately holds up all requisitions for labor then on hand, and men are gradually transferred from the copra mill to other departments. It is also necessary at times in our oil refinery to expand or contract its operating force. This practice has brought about another interesting development.

"Frequently upon the resumption of activities by the department that has been closed down, some of the regular employees prefer to remain in the department to which they have been temporarily transferred. In many cases foremen insist that their experienced men be returned. Again the foremen to whom the employees have been loaned are equally insistent upon retaining the borrowed men. The choice of the man himself in such cases settles the question. In the event that he happens to be a 'key man' in the department, he is tactfully requested to return to his work just long enough to train a new employee. This procedure has proven entirely satisfactory to all concerned, but must, as every employment man will realize, be very carefully handled."

The following memorandum was issued by the firm on September 14, 1926:

"When it is impossible to place employees at work upon reporting in the morning, all such employees shall be referred to the employment department for placement in other parts of the plant if possible.

"Should the employment department fail to find work for employees concerned, they shall be paid for the one-half day upon which they report for work.

"Time lost to employees in the interval while the employment department is making an effort to place them shall be paid. This expense to be charged to the department in which the men are regularly employed.

<sup>12</sup> Paper delivered by L. J. Zoeller (supervisor, employees' service department) at the American Management Association Annual Convention, New York, March, 1926, p. 23.

"The employment department will notify the department concerned, giving the name of the employee, and the time for which he is to receive pay."

6. *Lay-offs*.—A memorandum issued by the firm on August 25, 1926, states: "When it becomes necessary to lay off employees who have served less than six months, and whose services have been entirely satisfactory, preference shall be given to them over all others when it again becomes necessary to increase the department enrollment."

"Preference shall also be given to these employees when work is available in which the employees are experienced or capable of performing."

"Previous service shall be credited toward the necessary six months' probationary period when employment is resumed within one year of the last termination."

"The employment department will 'reinstate' employee, instead of reemployment."

When the force is reduced, recently hired employees are laid off instead of profit sharers.

#### ADMINISTRATION

1. *Administrative body*.—The employees' service department has direct supervision of everything relating to transfers, lay offs, discharges, and other matters affecting the employment guaranty. This department is also responsible for sifting evidence concerning complaints and for payment of unemployment compensation.

2. *Settlement of grievances*.—As yet there has arisen no occasion for appeal in the matter of discharge, but if there had it would have been taken to the joint conference committee which consists of one representative for every group of 50 workers or less and the supervisor of personnel, or to the committee on appeals which is composed of the plant superintendent, the general superintendent, and the president of the company. A pamphlet issued by the company says of this committee, "They shall submit a ruling on any case presented to them by the joint conference committee which ruling shall be binding to all concerned."<sup>18</sup>

#### SUMMARY OF EXPERIENCE

The following data gives a cross-section picture of profit-sharers and therefore employees covered by the employment guaranty at Ivorydale, as of October 1, 1927:

Total enrollment, October 1, 1927.....	2,764
Employees eligible to profit sharing.....	2,269
Employees participating in profit sharing and consequently covered by employment guaranty.....	2,038
Employees eligible but not participating.....	231
Per cent of employees participating in profit sharing.....	73.7
Per cent of eligibles participating in profit sharing.....	89.8
Per cent of eligibles not participating in profit sharing.....	10.2
Profit sharers terminated January 1 to October 1.....	23
Turnover of profit sharers in relation to total profit sharers, January 1 to October 1..... per cent.....	1.1
Turnover of profit sharers in relation to total enrollment, January 1 to October 1..... per cent.....	.8

The company estimates that as a general rule, between 70 and 80 per cent of those eligible for profit sharing elect this privilege and accordingly become eligible for the employment guaranty also. In 1924, 1,353 employees were profit sharers; in 1925, there were 1,651; and in 1926, there were 1,729.

There has been an increase in both numbers of employees and in pay roll hours since 1924. (See Chart 13.)

These increases have not been accompanied by a corresponding increase in production because, as was previously stated, improvements in quality and the increasing manufacture of flakes and modified soap products have resulted in requiring more workers per unit than are required for manufacturing a similar number of units of bar soap. The director of manufacture and technical research said, in September, 1927, "Technological improvements with us have tended toward an increase in the force, rather than a decrease."

<sup>18</sup> Procter & Gamble Co., "Revised Plan Employees' Conference Committee," September, 1919.

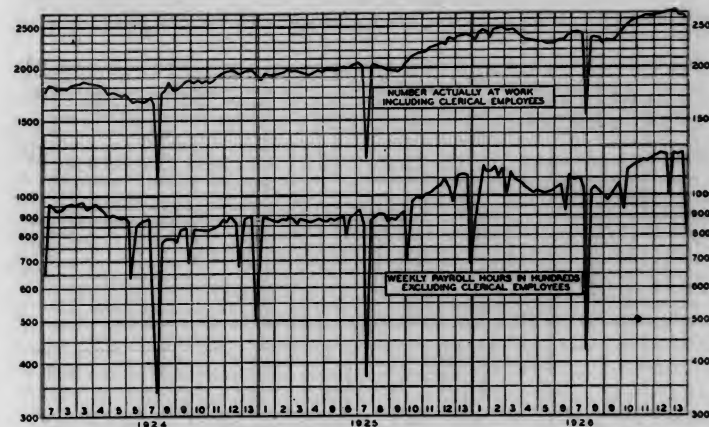
Though there are decided fluctuations in monthly incomes (figures as on a weekly basis) it must be kept in mind that every worker covered by the unemployment-compensation plan is guaranteed 50 hours a week for 48 weeks, inclusive of any shutdowns regarded as vacation without pay. The fluctuations in monthly incomes show peaks in the latter part of 1922, 1923, and 1924, which are due to overtime. The valleys immediately following are due to holiday shutdowns. The summer shutdown for machine overhauling is similarly reflected. (See Chart 14.)

TABLE 14.—*Exits of factory and clerical workers for all reasons by length of service, 1924, 1925, 1926, the Procter & Gamble Co.*

	1924		1925		1926	
	Under 6 months	Over 6 months	Under 6 months	Over 6 months	Under 6 months	Over 6 months
Lay offs due to lack of work <sup>1</sup> .....	103	9	22	7	50	11
Voluntary quits because of anticipated lay-off.....	1	6	—	—	5	1
Voluntary quits for other reasons.....	540	183	575	245	712	328
Unavoidable <sup>2</sup> .....	35	43	59	49	90	57
Discharges.....	76	60	70	52	103	73
Total separations.....	755	301	726	353	960	470
Grand total separations.....	1,056	—	1,079	—	1,430	—
Average yearly enrollment.....	1,887	—	2,087	—	2,489	—
Turnover percentage.....	40.0	16.0	34.8	16.9	38.7	19.0
Total turnover percentage.....	56.0		51.7		57.7	

<sup>1</sup> No profit-sharers were laid off because of lack of work.

<sup>2</sup> Rejected because of physical defects, married, pensioned and deceased.

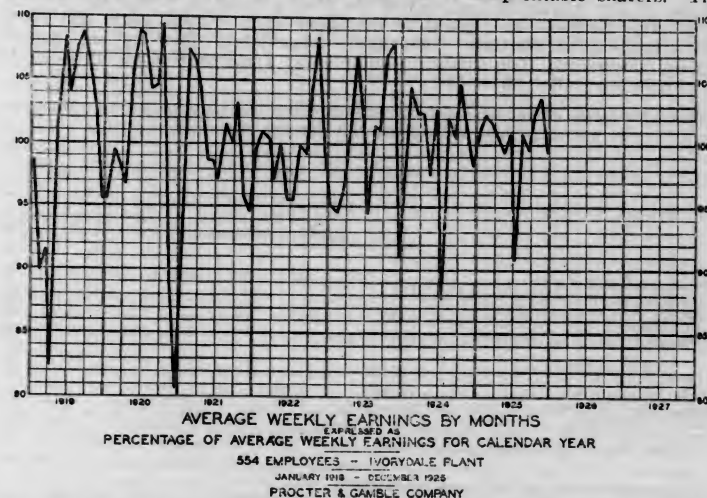


NUMBER OF EMPLOYEES AND PAYROLL HOURS BY WEEKS

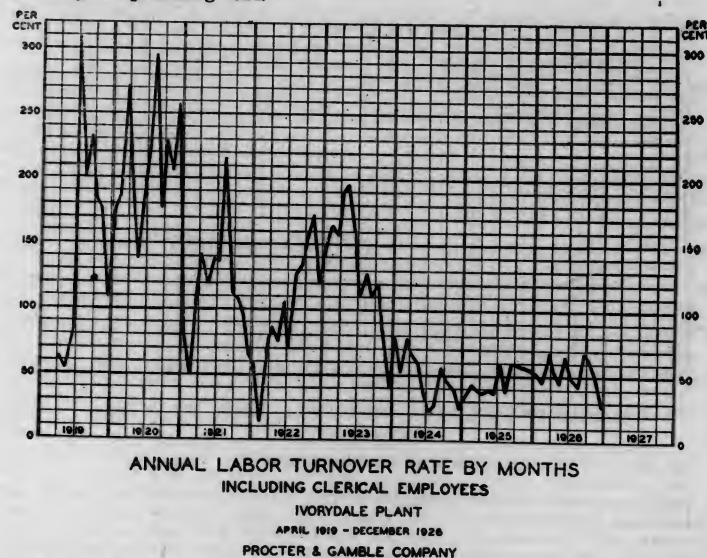
IVORYDALE PLANT  
1924-1926  
PROCTER & GAMBLE COMPANY.

There has been a marked reduction of turnover since the installation of the employment guaranty plan. (See Chart 15.) Many factors affect turnover, however, and this reduction can not therefore be attributed wholly to the employment guaranty. The turnover is, as is generally the case in industrial establishments, very much higher among employees of less than six months' service. (See Table 14.) Data segregating the turnover of workers who are eligible from those who are not eligible to unemployment compensation

are not available, but inasmuch as about 90 per cent of the eligible employees are profit-sharers, the turnover of employees of less than six months' service gives an approximate picture of the turnover of nonproftable sharers. The



turnover of employees of six months' service was not kept separately until the employment guarantee was introduced and can not therefore be given for the years preceding 1924.



There is no evidence of consistent seasonal influence in the records of workers laid off because of the plant's inability to furnish work (see Table 15) nor in the records of discharges. (See Table 16.) Workers laid off for lack

of work belonged to nonproft-sharers (and therefore noneligibles) of both six months' and over six months' service. The number of workers laid off because of the plant's inability to furnish work has decreased since the plan was installed. (See Table 15.) The acute unemployment of 1920 and 1921 is reflected in the number of lay-offs during those years. (See Table 17.) The firm stated in November, 1927, that no profit-sharer had ever been laid off for lack of work and therefore no unemployment compensation for lay-offs had ever been paid.

With the exception of the year 1922, the number of discharges during each of the years preceding the establishment of the employment guaranty was greater than at any subsequent time. (See Table 16.)

Temporary workers hired and dismissed during the life of the employment guaranty, up to the present time, have been:

Year	Hired	Dismissed
1924.....	166	74
1925.....	606	404
1926.....	237	188

Those temporary employees who did not leave after the termination of the work for which they had been engaged were added to the permanent pay roll. The majority of temporary workers were employed for construction work, the tenure of which jobs usually extends from 30 days to three months.

The enrollment fluctuations from 1919 to the present time decreased until 1926 when there was a marked increase. Monthly enrollment figures for 1924, 1925, and 1926 show the largest enrollment of workers during November and December of those years. (See Table 18.)

There has been very little expense involved to date in paying workers for lost time within the guaranteed 48 weeks and in transferring them to other than their regular jobs. Such costs as are incurred are met out of profits.

The expense involved in paying employees for time lost in the interval between reporting for work and being placed by the employment department amounted to \$83.45 from September, 1926, to October, 1927.

TABLE 15.—Lay offs due to lack of work<sup>1</sup> by months and years and length of service, 1925-1926, the Procter & Gamble Co.

Month	Male	Female	Total
1924:			
January.....	11	34	45
February.....	2		2
March.....	10	2	12
April.....	15	5	20
May.....	22	2	24
June.....	1		1
July.....	1		1
September.....		2	2
October.....	2	1	3
November.....			
Total.....	64	48	112
1925:			
January.....	1	3	4
February.....	7	2	9
March.....	2		2
April.....	3	1	4
May.....	1		1
June.....	8		8
July.....	1		1
August.....			
Total.....	23	6	29
1926:			
February.....	3		3
March.....	13	6	19
April.....	2		2
May.....			
June.....	11		11
July.....	6	8	14
August.....	6		6
November.....	1		1
December.....	3	1	4
Total.....	46	15	61

<sup>1</sup> No profit sharers have ever been laid off for lack of work.

TABLE 15.—*Lay offs due to lack of work by months and years and length of service, 1925-26, the Procter & Gamble Co.—Continued*

Year	Male		Female		Total
	Under 6 months	Over 6 months	Under 6 months	Over 6 months	
1924.....	58	6	48	-----	112
1925.....	17	6	5	1	29
1926.....	36	10	14	1	61
Total.....	111	22	67	2	202

TABLE 16.—*Number of discharges, by months and years, including both profit sharers and nonprofit sharers, 1919-1927, the Procter & Gamble Co.*

Month	1919	1920	1921	1922	1923	1924	1925	1926	1927
January.....	(1)	42	14	11	20	12	14	18	16
February.....	(1)	49	7	6	17	15	8	10	13
March.....	(1)	46	9	7	15	19	10	20	11
April.....	40	20	12	3	11	19	8	11	20
May.....	30	27	5	4	22	20	15	11	-----
June.....	44	23	16	6	16	8	11	17	-----
July.....	39	14	15	8	15	9	8	10	-----
August.....	55	11	31	4	14	7	11	13	-----
September.....	37	21	27	3	9	11	6	17	-----
October.....	29	42	18	9	23	8	14	17	-----
November.....	31	32	20	6	15	3	8	22	-----
December.....	10	7	19	12	12	5	9	8	-----
Total.....	315	334	193	79	189	136	122	176	-----

<sup>1</sup> Not available.TABLE 17.—*Exits of factory and clerical workers for all reasons, the Procter & Gamble Co.*

	1920	1921	1922	1923	1924	1925	1926
Lay off due to lack of work <sup>1</sup> .....	997	339	190	32	112	29	61
Voluntary quits because of anticipated lay off.....	119	91	34	74	7	-----	6
Voluntary quits for other reasons.....	3,622	1,390	1,392	2,150	723	820	1,040
Unavoidable <sup>2</sup> .....	53	48	104	122	78	108	147
Discharges.....	334	193	79	189	136	122	176
Total exits.....	5,125	2,061	1,799	2,567	1,056	1,079	1,430
Number hired.....	4,250	2,170	1,923	2,449	1,061	1,507	1,786
Average yearly enrollment.....	2,446	1,777	1,662	1,829	1,887	2,087	2,489
Percentage turnover.....	209.5	116.0	108.0	140.0	56.0	52.0	57.0

<sup>1</sup> No profit sharers were laid off because of lack of work.<sup>2</sup> Rejected for physical defects, pensioned, married, deceased.TABLE 18.—*The Procter & Gamble Co.*  
ENROLLMENT FLUCTUATION FIGURES, IVORYDALE PLANT

Year	Maximum enrollment	Minimum enrollment	Fluctuation
1919.....	3,195	1,935	1,260
1920.....	2,846	1,832	1,014
1921.....	2,000	1,459	541
1922.....	1,951	1,516	435
1923.....	2,025	1,731	294
1924.....	2,003	1,740	265
1925.....	2,371	2,252	119
1926.....	2,749	2,341	408

<sup>1</sup> Paper by L. J. Zoeller, op. cit., p. 22.TABLE 18.—*The Procter & Gamble Co.—Continued*

AVERAGE MONTHLY ENROLLMENT, 1924, 1925, AND 1926

Month	1924 average monthly enrollment	1925 average monthly enrollment	1926 average monthly enrollment
January.....	1,890	1,978	2,404
February.....	1,905	1,982	2,400
March.....	1,910	1,964	2,408
April.....	1,943	1,965	2,348
May.....	1,794	1,952	2,341
June.....	1,740	1,972	2,431
July.....	1,813	2,032	2,425
August.....	1,890	2,037	2,396
September.....	1,929	2,155	2,563
October.....	1,941	2,265	2,687
November.....	2,003	2,352	2,749
December.....	1,988	2,371	2,722
Average yearly enrollment.....	1,887	2,087	2,489

Amounts charged through pay roll as guaranteed employment wages:

1923:	1924—Continued.
October.....	\$92.43
November.....	74.51
December.....	72.72
Total.....	239.67
1924:	1925:
January.....	42.77
February.....	49.10
March.....	31.34
April.....	73.68
Total.....	420.65
1925:	1926:
August.....	40.92
Grand total.....	701.24

From the data furnished it becomes evident that stabilization methods have resulted in reducing to a negligible point the hazard of unemployment for workers who are in the profit-sharing group which, as has been said, is estimated to comprise from 70 to 80 per cent of all employees.

Members of the managerial force claim they notice a decided lessening of nervous tension on the part of workers now that there is security of steady work. They say they can observe increased confidence and consequently better work. In speaking of the employment guarantee the president of the company said, "The regularity of operation with contented and loyal employees has an economic value hard to define." He also maintains that security of income results in workers being able to buy their own homes and take on other responsibilities which under other circumstances they could not assume.

Workers seemed to regard the plan favorably, though one said, "It isn't natural for people to be enthusiastic about something they are accustomed to and have learned to take for granted. We are used to steady work and we expect it as a matter of course now."

The supervisor of the employees' service department said in March, 1926: "As to the general results of stabilized employment we feel that among the most important, is the beneficial effect upon plant morale. The spectre of unemployment has been removed and our people are in a position to budget their incomes over the needs of the year. They have been practically placed upon a salary basis."

"Stabilized employment has also provided a vitalizing effect upon all our other industrial relations policies. We have had for many years a profit-sharing plan, pension, sick benefit and life insurance plans, employee representation, and several others, but all of them were without the firm foundation that has been supplied by the provisions of guaranteed employment." (Paper delivered by L. J. Zoeller, op. cit.)

In June, 1927, the same executive said that he thought the employment guaranty had had the effect of "inhibiting discharge" on the part of foremen even in cases where dismissal might be justified. This he attributed to the fact that the seriousness of discharge was fully realized and the plan was operated in such a manner as to forestall the practice of unjust discharge. He said that, while it is possible to find excuses, such as "inefficiency" for discharging people, when the real reason is the desire to reduce enrollment, he was confident this game was not played in his organization.

Inasmuch as the employment-guarantee plan of this company has operated during a period of expanding diversification of products and practically unchecked prosperity (see Chart 15), it has not been tested in the acid of adversity. This probably accounts for the fact that the firm has not considered it necessary to set aside a fund for meeting unemployment. It becomes more and more evident in studying this plan, that the firm considers stabilization of the greatest importance. In other words, stress is laid on preventing rather than on alleviating unemployment.

The president of the company stated in 1927 that, although they had eliminated seasonal work before the plan was installed, the continuance of stabilization is largely due to the existence of the employment-guarantee plan because of the focusing of attention on prevention against relief.

#### THE PROCTER & GAMBLE MANUFACTURING CO., PORT IVORY, STATEN ISLAND, N. Y.

**Background:** The Port Ivory plant of the Procter & Gamble Co. is located at Port Ivory, Staten Island, and is next to the parent plant at Ivorydale in size. In October, 1927, there were 1,820 employees, 208 of whom belonged to the construction or temporary plant expansion force, thus making a total of 1,612 regular employees, 198 of whom were women. Of these regular employees 1,015, about 63 per cent, were profit sharers. The number of employees eligible to profit sharing was 71.5 per cent, and of those eligible 88 per cent actually participated. As in all Procter & Gamble plants operating an unemployment fund, profit sharers are automatically covered by the employment guaranty.

The products of the Port Ivory plant are just the same as those of the Ivorydale plant except that there is no copra mill at Port Ivory and no stearic acid is produced there. The weekly production schedule for this plant is issued by Ivorydale and all general policies originate there. Distribution of products is also a function of the head offices at Ivorydale.

The employment guaranty was introduced at Port Ivory the same time as at Ivorydale and the provisions of the plan are the same.

**Summary of experience:** Records previous to 1924 are unavailable at this time, but it is hoped that when the final report is issued these records will be in such shape as to make data concerning unemployment compensation available. However, the Ivorydale offices furnished the following data concerning the costs of transfers due to slack work at Port Ivory:

1923:		
November	-----	\$14.22
December	-----	23.96
1924:		
January	-----	46.31
February	-----	42.25
March	-----	45.88
April	-----	91.79
May	-----	26.00

The plant superintendent states that there have been no cases of transfer of employees to jobs paying a higher rate since the employment guaranty went into effect and therefore there have been no costs attendant upon the plan. When work is slack, nonprofit sharers, who are not covered by the employment guaranty, are laid off, but the figures covering lay offs for 1926 and 1927 indicate that a minimum number of nonprofit sharers have been laid off.

Data covering the labor turnover of profit sharers and nonprofit sharers during the entire life of the employment guaranty are not yet in available form, and there are no records of temporary workers, overtime, or of transfers due to slack work for the period preceding the introduction of the plan as well as the period during which it has been in existence.

The following is a record of turnover of profit sharers and nonprofit sharers during 1926 and 1927:

	Profit sharers terminated		Nonprofit sharers terminated	
	1926	1927	1926	1927
Voluntary quits.....	118	99	558	408
Discharges.....	48	46	174	178
Lay-offs.....	0	0	19	40
Total separations.....	166	145	751	621
Total plant enrollment.....	1,186	1,404	1,186	1,404
Average yearly enrollment of profit sharers.....	833	910	353	482
Per cent turnover.....	19.9	15.8	213.0	126.1
Per cent turnover to total enrollment.....	14.05	10.42	63.5	43.5

#### AMERICAN CAST IRON PIPE CO., BIRMINGHAM, ALA. (ABANDONED PLAN)

##### BACKGROUND

The American Cast Iron Pipe Co., of Birmingham, Ala., manufacturing cast-iron pipe and fittings, is the only southern industrial establishment known to have experimented with any form of unemployment compensation. Most of the company's products go to municipalities throughout the country and to the larger oil, water, and gas companies.

The entire common stock of the company was left in trust to the employees upon the death of John J. Eagan, sole common-stock holder in 1924, and since that time the company has been operated under an employees' ownership and profit-sharing system. The company owns and manages homes of employees, schools, a church, an industrial Y. M. C. A., and a service building. Medical service is provided for all employees.

There were, at the time unemployment compensation was installed in 1924 about 1,300 employees in the organization, 1,000 of whom had been in the employ of the company for one or more years and were, therefore, eligible to compensation.

The regular working day is nine hours, six days a week, but men are paid overtime after eight hours at the rate of time and a half. In January, 1923, the company reported they had been operating on a 5-day schedule for two months and saw "no prospect of a change." They also said that while the original pipe foundry had operated two shifts of nine hours each, the new centrifugal shop was running a 3-shift schedule, each shift working eight hours.

A vacation of 10 working days with pay is given to salaried workers who have been in the employ of the company for one year or more. Factory workers of three months' service get a vacation of six days with pay.

The plant is shut down on the following holidays: Fourth of July, Labor Day, Thanksgiving, and Christmas.

The unemployment-compensation plan was inaugurated on December 17, 1924, and abandoned in December, 1926. Employment had been fairly regular when the plan went into effect.<sup>2</sup> In introducing unemployment compensation the firm desired to remove a sense of insecurity of income from the worker.

In the Acipco Industrial Cooperation Manual for 1925, the following appears:

##### "OUR JOB AT ACIPCO"

**"Regular employment.**—Unemployment is a haunting fear of many wage earners. The man out of a job with dependents on him must continue to incur living expenses. A man may heap up debts during such a period sufficient to embarrass him for years after he has again secured employment.

"Studying this problem in relation to our own business, we find:

"1. That the pipe business is seasonal. In a considerable portion of the territory where we sell our product the ground freezes in winter, making it difficult to dig trenches or lay mains during the cold months. This has caused a curtailment of business during these months.

<sup>2</sup> Letter from vice president, Jan. 3, 1928.

"2. As business is now organized there are recurring periods of business depression. In a period of this kind, even ordinary pipe buying in some instances is suspended.

"In the Acipco plan, Christianity in industry is taken to mean, among other things, regular employment to every member of the organization. This is an ambition by no means easy of fulfillment. By what method or system it can be accomplished remains to be seen. During the business depression of 1921 our company was very successful in this respect. But this is one of those problems which must be solved largely as it appears and according to the specific circumstances and conditions which surround it at that particular time. One fact has been firmly established with respect to any plan for regular employment. That is it costs money and, as stated in the paragraph on reserve funds, money must be laid aside during the years of good business to be used in these 'rainy days' when the plant perhaps must be operated at a loss, but must be operated in order to give employment to members of the organization.

#### PROVISIONS OF THE PLAN

1. *Source of fund.*—With the primary motive of removing "haunting fear" from their wage earners, the firm set aside in December, 1924, a fund of \$15,000 from which quarterly unemployment benefits were to be paid. This sum constituted 4.4 per cent of the total pay roll. Again, at a meeting held in December, 1925, the board of directors voted:

"That a sum of \$15,000 be set aside for unemployment insurance, and that this sum be the maximum liability of this company for this cause during 1926."

2. *Definition of unemployment.*—A worker who could not be kept busy at his own job or at any other provided for him by the management was considered unemployed.

3. *Eligibility for benefit.*—Only factory workers were eligible. The prerequisite length of service was one year. No employee who refused to work at other than his customary employment when so directed by the management was eligible for benefits. No temporary workers, or workers on the "extra list," were eligible.

The following provisions of the plan were announced by the firm when the unemployment fund was established in December, 1924:

"Unemployment insurance shall be paid quarterly, based on the following rules:

"(a) No unemployment insurance shall be paid in any week where the employee involved shall have been provided with four days' work. This is to apply to each week until such time as accumulated unemployment in the current calendar year shall have amounted to 50 days for any individual employee, after which time unemployment insurance shall be paid to such person at the rate of one-half time for all days lost, over 50, during the then current calendar year, until the above fund is exhausted.

"(b) In a case where an employee works three days per week, or less, he shall be paid from such fund as though he worked four days, regardless of whether he works one, two, or three days. In other words, the minimum pay per week shall be for four days, except where a man has been unemployed for over 50 days, that is, accumulated in any one year, as provided in the past paragraph above.

"(c) An employee who has not been in the employ of the company continuously for one year, or more, shall not be eligible for unemployment insurance.

"(d) No employee shall be paid insurance who refuses to work at other than his customary employment when so directed by the management.

"(e) Unemployment insurance shall not apply to employees on the extra list."

(NOTE.—e was inserted to provide for construction work.)

#### SUMMARY OF EXPERIENCE

The gross pay roll for the years during which the unemployment compensation plan was operating was as follows:

1924.....	\$1,614,232.30
1925.....	1,659,608.65
1926.....	1,721,236.00

The amounts paid out for unemployment compensation were:

1924.....	\$10,509.70
1925.....	1,465.85
1926.....	2,364.86

The number of beneficiaries was:

1924.....	86
1925.....	50
1926.....	64

The vice president of the company wrote in March, 1927: "Unemployment insurance was discontinued because we felt we were facing a radical change in the industry, due to the advent of centrifugal pipe and deemed it best to act for the relief of unemployment in the light of the facts at the time it occurred rather than incur this extra liability." In January, 1928, he wrote: "True to our expectations when we made this statement last March, we have already reduced our force about 300 men." The advent of centrifugal pipe not only reduced the number of men required to make the same volume of pipe, but it is rapidly making obsolete all plants operating under the old process.

#### LADIES' GARMENT INDUSTRY

It was inevitable, perhaps, that the first unemployment compensation plan in the United States to be adopted by joint agreement should appear in the garment industries. They have always been highly seasonal and it was to be expected that the organized employees would soon turn their attention to this outstanding evil. The first plan was established in the ladies' garment industry of Cleveland during the post-war depression.

After this experiment had been under way for a few years, New York, the largest center of the industry, employing more than 10 times as many workers, adopted, in 1924, a plan of the pooled-fund type in contrast to the guaranty-of-employment plan of Cleveland. The New York scheme was modeled in many respects after the plan established in the men's clothing industry of Chicago in 1923.

These experiments could scarcely have been undertaken in a more difficult period. The usual seasonal unemployment was intensified by the postwar deflation and a prolonged labor dispute in the New York market resulted in the abandonment of unemployment compensation in the industry's largest center. Although a number of changes have been made in the Cleveland plan, it still persists and remains the only scheme of the kind in America.

#### CLOAK, SUIT, AND DRESS INDUSTRY, CLEVELAND, OHIO

##### BACKGROUND

1. *The industry.*—In May, 1921, the ladies' garment industry of Cleveland adopted the first unemployment compensation plan in the United States to be established under joint agreement. At the time of its inception, the plan applied to approximately 3,000 garment workers employed by 86 firms—33 in the Cleveland Garment Manufacturers' Association, 13 independent manufacturers, and 40 submanufacturing concerns. The employees were organized in the International Ladies' Garment Workers' Union. Three major lines of garments, coats and suits, dresses, and skirts, and two allied lines, knitted goods and waists, were manufactured. At the beginning of 1921, the Cleveland Garment Manufacturers' Association included 20 coat and suit houses, 9 dress houses, 5 skirt houses, and 2 dress and skirt houses. In volume their sales ranked, roughly, as 68 per cent coat and suit, 18 per cent dress, 9 per cent skirt, and 5 per cent allied lines. But the decline of suits and skirts in popular favor, which has contributed to the shrinkage of employment in the industry (see chart 16), would make for some revision of these figures.

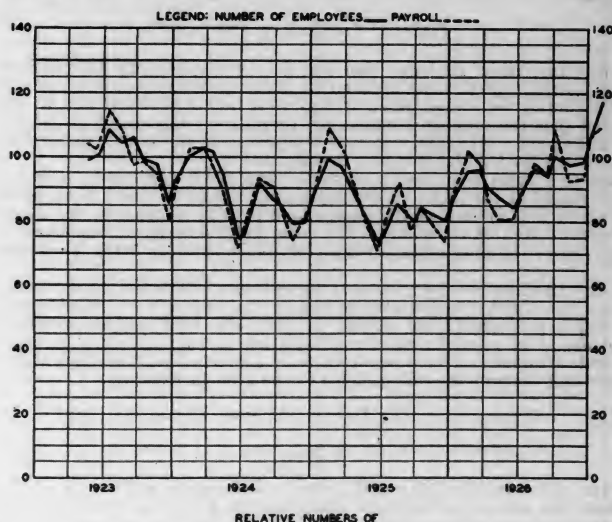
For the most part, the Cleveland industry serves the "general" retail trade, there being only three or four houses in the manufacturers' association selling to the "exclusive" trade, and none to the "low-grade" trade. The garments are designed for the middle class consumers who demand a garment of conservative style and good wearing quality. Practically none of the Cleveland output is exported and only two or three concerns carry on national advertising. It is a salesman's market, the road salesman disposing of from 80 to 85 per cent

of the product. It was estimated in January, 1921, that the annual production of the market, taking a suit or a coat as a unit of production, amounted to approximately 1,550,000 units representing a sales volume of \$40,000,000. Of this, 1,200,000 units valued at \$30,000,000 were credited to the inside shops and the balance to the contractors.

Employment in the manufacture of women's coats, suits, and dresses has been highly irregular as is evidenced by the accompanying chart on employment in the industry in New York where about 80 per cent of the national output is produced. (See chart 16.) The comparatively recent figures available indicate that employment in the Cleveland market has followed the general trend. (See chart 17.) The management in Cleveland has given considerable thought to the problem of regularizing production and employment. The agreement between the manufacturers' association and the union provided that: "A united effort shall be made to promote all interests by increasing continuity of employment."

In the argument of the Cleveland Garment Manufacturers' Association in the matter of wage scale for 1920,<sup>16</sup> it was stated:

"It is not necessary again to prove that Cleveland has greater continuity than other markets as this fact has already been accepted in the passing of awards by the board of referees.



#### EMPLOYEES AND PAYROLL TOTALS BY MONTHS

1923 (6 MONTHS) = 100

17 SELECTED FIRMS IN THE CLEVELAND AND CINCINNATI WOMEN'S CLOTHING INDUSTRY.

MAY 1923 - FEBRUARY 1927

"While the season just closing has not been a favorable one for continuity, yet Cleveland workers still have been much more fortunate than other markets in this respect. During the past year in addition to the large amounts of money that have been spent by individual manufacturers in trying to extend their seasons by encouragement of early and late purchases through the employment of traveling sales forces, this association itself has spent a large portion of its revenues in encouraging continuous buying. Early last year some \$50,000 were appropriated by the association for full page weekly advertisements in the leading trade periodicals. Three market weeks have been staged in Cleveland to which at great expense efforts have been made to bring merchants from all over the country. All of this work has been undertaken in compliance

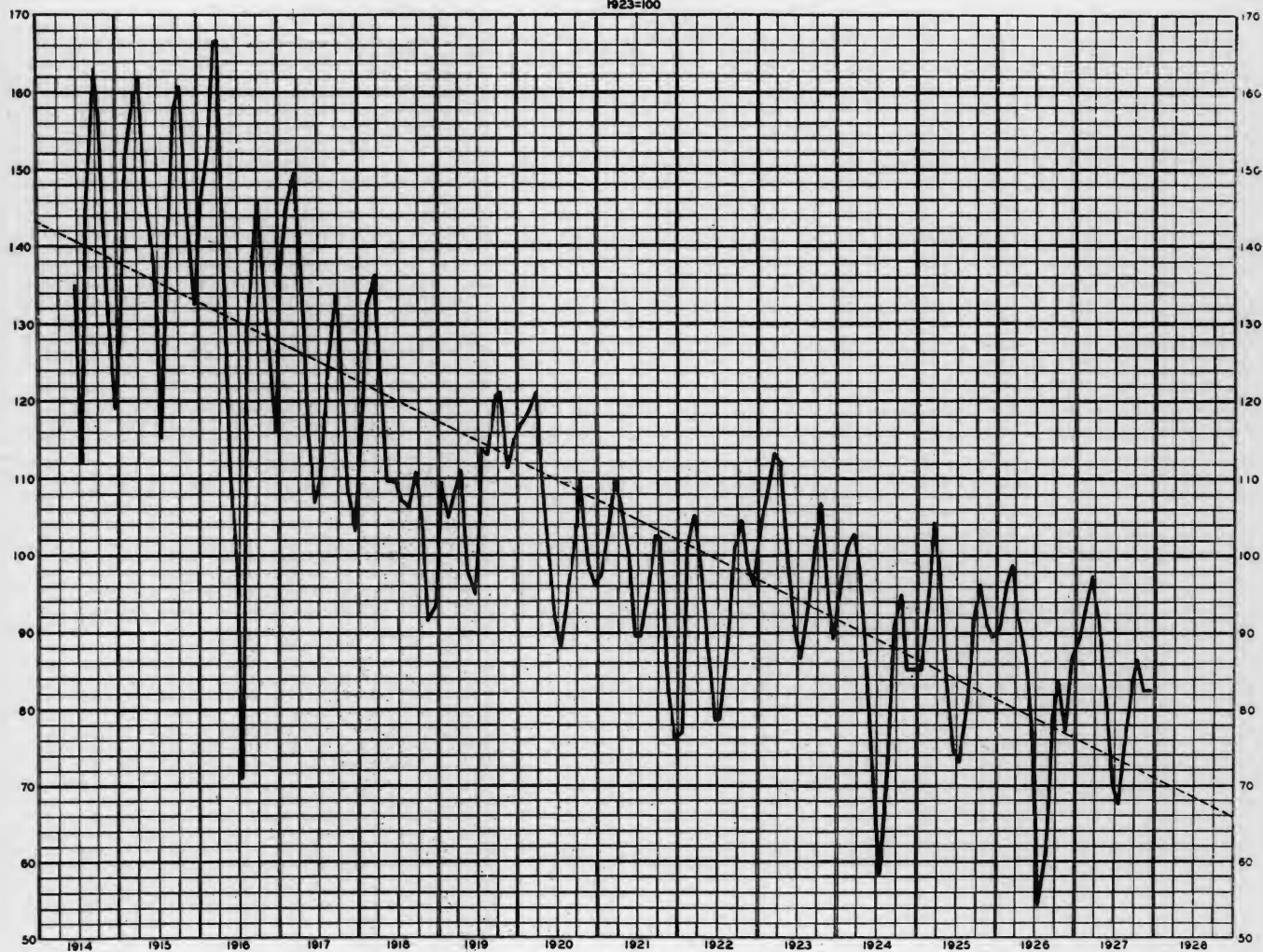
<sup>16</sup> Document available at headquarters of Cleveland Manufacturers' Association.

# EMPLOYMENT IN THE WOMEN'S CLOTHING INDUSTRY

IN NEW YORK STATE

1914-1927

1923=100



with the clause in our agreement regarding the encouragement of continuity of employment."

A plan for marketing slack-season output submitted to the Cleveland Garment Manufacturers' Association under date of January 31, 1921, stressed the seasonal character of the industry and the consequent aggravation of its labor problems in the following terms:

"Some plants do not work more than 30 weeks a year while others work 52 weeks. It is conservative to say that all the plants work at least 36 weeks in a normal year. Wages must necessarily be sufficient to carry the normal number of workers throughout the year. In addition to the normal number there may be temporary workers who have other means of livelihood. Wage scales have, therefore, been determined with this irregular employment situation in mind. If the period of employment of workers could be increased to 40 or more weeks per year, the unit cost of all garments made throughout the year might be correspondingly reduced and at the same time provide more continuous employment for the workers."

The report suggested that the problem resolved itself into one of marketing the possible production of the various plants during slack seasons. It was estimated that the inside shops could produce an additional 800,000 units annually, with a value of \$25,000,000 and that the contractors could produce 350,000 more units, valued at \$10,000,000, in the slack months of May, June, July, and October, November, and December.

Output for the market would thus be increased from 1,550,000 units valued at \$40,000,000 to 2,600,000 units with a value of \$75,000,000. According to these figures the industry was operating at about 60 per cent of capacity. The report indicated that very little work had been done on fill-in lines such as men's overcoats, petticoats, wool skirts, theater curtain drapes, lap robes, and muslin underwear, and suggested that "it seems that any article which can be made with a single needle sewing machine could be produced in Cleveland plants if costs and other conditions permitted." Steps were proposed for extending the market and for opening up new markets in order to dispose of slack-season output on a cost-to-operate basis. The individual manufacturer would gain through the spreading of his overhead and "through keeping his working force occupied, if a guaranteed period of employment is imposed by the referees as a condition to a lower wage scale."

2. *Employment guarantee plan.*—There was a period of serious industrial strife in the ladies' garment industry of Cleveland in 1918. One outcome of the dispute was the establishment of an impartial board of referees chosen by the two parties, for the settlement of differences. In practice, disputes not settled in the shops by conference between union and employer officials were referred to the impartial chairman or representative of the board; appeal from his decisions could be made to the full board of referees whose decisions were final.

For some time several of the employers of the Cleveland Garment Manufacturers' Association had been anxious to secure the consent of their employees to the adoption of production standards throughout the market as already established in the H. Black and the Printz-Biederman companies. But the manufacturers were not unanimous in the view that production standards in the making of women's garments were feasible and desirable and there was some preference for a guarantee of earnings rather than of a period of employment. It was finally agreed, as the impartial chairman stated later, that a guarantee of earnings—

"Would relieve the workers of the hardship of a long period of unemployment, but as compared with a guarantee of employment it has certain disadvantages. It would not spur the worker to increase his production during the rush periods, because he would feel that he had his minimum guarantee anyhow, and for the same reason it would not stimulate the manufacturers to keep their workers employed after they had earned that guaranteed amount. Moreover, from the community or social viewpoint, the important thing is to prevent unemployment. Every industry owes its workers not merely enough to keep themselves and their families out of want, but it owes them the opportunity to work, and it also owes the community freedom from the distress of widespread unemployment. We therefore concluded that a money guarantee would not solve the problem, and determined that the guarantee should be one of employment."<sup>17</sup>

<sup>17</sup> Monthly Labor Review, April, 1922, p. 139.

The manufacturer proposed that wages should be paid in accordance with standards of production determined by industrial engineers under the supervision of the impartial chairman, and in the agreement of December 24, 1919, the employers and the union undertook "to join in working out definite arrangements for a wage system which would incorporate the principle of week work with due regard to the productive value of the individual worker, based on fair and accurate standards."<sup>21</sup> In most of the Cleveland garment factories some employees were paid a weekly wage with no regard to production and others were paid piecework rates fixed by bargaining.

In 1920, the engineers employed by the manufacturers and the union recommended a plan. The manufacturers accepted it, but the union refused to give their approval without a provision embodying some form of guaranty of 40 weeks' employment and payment for holidays and a week's vacation. Meyer Perlstein, head of the union in Cleveland when the plan was adopted, stated in 1923, "When the plan was proposed, the union members fought it because they feared employers would cut their forces and employers ridiculed the idea of guaranteeing steady employment."<sup>22</sup> The union also regarded the proposal as involving departure from established trade union policy and feared that production standards would result in a great speeding up of the workers. A tentative agreement accepting the guaranty principle was reached, but it was provided that "the agreement should not be finally accepted or incorporated as a part of the Cleveland industry and until both parties shall have satisfied themselves that the plan will work full justice to all alike." The manufacturers proposed as essentials of any employment guaranty plan:

1. Assurance of production by the installation of scientific standards with incentive.
2. Decision regarding employees coming under the plan.
3. Provision for temporary peak workers with suitable remuneration.
4. Assurance that the plan will not place a burden on the market that will handicap it in securing business in competition with other markets.

It had been expected that the new wage plan would be installed within the agreement year ended December 24, 1920, but more time was required. Finally in May, 1921, the board of referees handed down a decision which provided for a wage reduction and the establishment of production standards and an employment guaranty, and one week of vacation a year with pay. The vacation clause was not brought into force in 1921, and it was omitted from the agreement of 1922.

The referees had suggested in December, 1920, the alternative of a lower wage with a guaranty of greater continuity of work, or a higher wage without the guaranty, giving the manufacturer his option. When the guaranty was finally agreed upon, the option feature was dropped at the request of both parties, the lower wage was fixed, and the guaranty made absolute. As the impartial chairman said later: "It is clear that the motives which operated both in the original adoption and in the successive amendments of the plan, were acceptance of a lower wage rate by the workers in consideration of guaranteed payment for unemployed time in excess of a prescribed term."<sup>23</sup>

The wage scale was reduced by approximately 15 per cent. It was stipulated that the industrial engineers employed to set up the standards should be chosen and paid by the two parties jointly; that there should be joint control over the installation of standards and that they should be based on the time of the average worker in each shop; that no time studies should be made without the workers' knowledge; that each side could ask for review of the standards; that wages of workers under standard should be based on actual production; that employees doing work in exactly the standard time should be paid a bonus above the minimum scale, and that others should be paid according to production but not less than the minimum.

The scheme was initiated in adverse circumstances. According to the employment index of the New York State Department of Labor, 1921 was the poorest year for the industry in the period 1914-1921. (See chart 16, p. 3.) As Meyer Perlstein of the International Ladies' Garment Workers' Union said: "Conditions in the Cleveland markets were bad. There was much unemploy-

<sup>21</sup> Argument of the Cleveland Manufacturers' Association in the matter of wage scale for 1920, op. cit.

<sup>22</sup> Chicago Daily News, May 7, 1923, interview by Carroll Binder.

<sup>23</sup> Case No. 2072, Nov. 28, 1922. Available in office of impartial chairman, Cleveland, Ohio.

ment among the workers and the manufacturers complained that they were not making money."<sup>24</sup>

#### PROVISIONS OF THE PLAN

In its original form the plan obliged each manufacturer to guarantee to his regular employees who had not left of their own accord and had not been justifiably discharged, 20 weeks of full employment in each six months or to pay two-thirds of the minimum wages in the period by which he fell short of the 20 weeks. The agreement of 1922 substituted a guaranty of 41 weeks for the original arrangement. It was found that "dividing the year into periods was unwise as a manufacturer might have more than a proportionate amount of unemployment in one period only to make up for it in another."<sup>25</sup> In 1924, the rate of benefit was reduced from two-thirds to one-half of the minimum wage scale.

The guaranty was limited by a provision that no manufacturer should be liable for more than 7.5 per cent of his total direct labor pay roll for the six months' period. A decision of the board of referees on April 29, 1922, changed this provision also. Employers were permitted to make the original payment or to reduce wages 10 per cent and deposit 25 per cent of the pay roll.

The employee's right to an unemployment wage was in no way affected by his acceptance of other work during the lay off. New employees were required to pass a probationary period of two weeks before being placed on the roll of regular workers. The scheme made no mention of part-day unemployment, for this had been provided for by the following clause in the trade agreement:

"When a worker is called to work it shall be for not less than a day's work. For idle time spent in the factory more than 10 minutes he shall be paid at the rate of the minimum and such idle time not paid for shall not exceed 30 minutes in any one day."

A noteworthy feature of the plan was the provision that a worker could work at another shop when on lay off from his own, without prejudicing his right to benefit. This was in contrast with the regulations under the Chicago men's clothing plan adopted in 1923, which, although on a shop-fund basis, required the unemployed worker to accept any suitable employment offered by the central employment exchange or forfeit his right to benefit. Under the Chicago plan, employment secured at other shops in this way was charged against the worker's unemployment on his regular job.

#### ADMINISTRATION

1. *Administrative body.*—The guaranteed-employment plan was placed in charge of the board of referees.

2. *Source of fund.*—Employers were not required to deposit the actual amount of the guaranty with the impartial chairman, but were permitted to give a surety bond (see Exhibit 3) in an amount equal to the contemplated percentage of the pay roll.

The guaranty payments were not pooled, but were credited to the individual employer and each was refunded at the end of the yearly period the balance which remained after his workers had been paid for unemployed time. At first, for only one period, the refund was made at the end of six months.

3. *Records.*—The employers were directed to forward a weekly report of their regular employees, showing lay offs and voluntary absence and amount of the pay roll, the amount paid out of the fund, and the amount available in the fund. The manufacturers' association was made responsible for the submission of these reports. The procedure for keeping account of each worker's unemployment has been outlined as follows:

#### EXHIBIT 3

##### ORIGINAL FORM OF SURETY BOND

Know all men by these presents: That we \_\_\_\_\_ Co. hereinafter called the principal, and the \_\_\_\_\_ Co., hereinafter called the surety, as principal, as surety, are held and firmly bound unto \_\_\_\_\_

<sup>24</sup> Chicago Daily News, op. cit.

<sup>25</sup> Fred C. Butler, *Guaranteed Employment in the Cleveland Garment Industry*, American Labor Legislation Review, June, 1924, p. 139.

..... agent of the impartial chairman, hereinafter called the obligee, in the sum of \$....., to the payment whereof well and truly to be made we do hereby bind ourselves, our successors and assigns, jointly and severally, firmly by these presents.

The condition of this obligation is such: That

Whereas, the principal is a member of the Cleveland Garment Manufacturers Association, and as such member has heretofore agreed to be bound by the decisions of certain referees as to the working conditions between it and its workers; and

Whereas, the principal as such member has entered into a written agreement with the International Ladies' Garment Workers' Union, certain local unions, and a board of referees, dated on or about December 27, 30, and 31, 1922, and has, in accordance with the terms thereof, as modified by the decision of the referees dated November 18, 1923, agreed to furnish not less than 40 weeks of employment per year to each of its regular employees and in default thereof to pay to each of said employees one-half of the employee's minimum weekly wage for the period in default, with a limitation, however, of the principal's liability to an amount equivalent to 10 per cent of the principal's direct labor pay roll during the said year, and has also agreed to submit to and abide by the decisions of certain referees or their representative, and the impartial chairman, as to the principal's obligations under and performance of said agreement:

Now, therefore, if the aforesaid principal shall promptly pay over to its said employees or to the said obligee, from time to time, for the period of one year from January 1, ....., all sums that it may be called upon to pay in fulfillment of its obligations under said agreement or decisions of the referees, or their said representative, then this obligation shall be void, otherwise to remain in full force and effect; it being expressly understood and agreed as a part of this bond that the final decision as to whether the principal has fulfilled its said obligation or made default herein lies in the impartial chairman or representative of the referees, as provided in said agreement, and shall not be subject to question or litigation by the surety.

The foregoing is subject to the following conditions, which shall be precedent to any recovery hereunder:

First. That in the event of default upon the part of the principal hereunder, written notice thereof, with a statement of the material facts pertaining to such default, shall be delivered to the surety within 30 days after notice of any such default shall have come to the knowledge of said obligee.

Second. That no claim, suit or action by reason of any default shall be brought against the surety after three months after the termination of this bond, December 31.

Third. That in on event shall the surety be liable under this bond for a sum greater than \$.....

In witness whereof the above named obligors have hereunto set their hands and seals at ....., this ..... day of .....

Principal.

Surety.

"When any worker is laid off involuntarily, he is given a lay-off slip which contains the date laid off and where possible the date to return to work. When he returns, his slip (as well as the original slip held by the employer) is marked with the date of return. The worker retains these slips and as soon as he has accumulated 12 weeks of unemployment, he is then entitled to draw upon the shop fund at half pay. Each worker thus knows every day his exact status with relation to the fund.

"The manufacturer has a record card of individuals by departments, with 52 squares following each name. As soon as any worker has had a week's idleness an X is placed after his name in the proper square. It is obvious that the manufacturer's task is to see that no worker gets more than 12 X's. This he does by distributing the work of each department equally and by making special drives for business to fill up his valleys of depression."

Several changes in the regulations governing the plan were made in the agreement of 1922. The most important had to do with the length of the employment guaranty which was extended to 41 weeks.

A decision of the board of referees of April 29, 1922, gave employers the option noted above, and they were permitted to deposit 7.5 per cent of the pay

<sup>22</sup> Fred C. Butler, op. cit., p. 140.

roll, as before, or to pay a 10 per cent lower wage and deposit 25 per cent of the pay roll. It was thought that the increase in the guarantee payment would "make it 'morally certain' that the worker would receive either 41 weeks' work or 41 weeks' pay."

The referees stated in their decision:

"We give the manufacturer, however, conditioned on a better guaranty, one more conducive to securing at least 41 weeks' work, the option of a reduced wage. This optional award involves a 10 per cent reduction from the May, 1921, scale, adjusted to the next higher 25 cents, if the weekly rate thus established should not be a multiple of 25 cents, coupled with a guarantee such as, in the judgment of the referees, would in all probability insure either 41 weeks of actual work or payment for 41 weeks' work. The amount of the guarantee fund for each shop would be based by the referees on past experience in that shop, this being used as a forecast of the probabilities for the coming season. Where the past year shows a considerable falling off from 41 weeks' work, the guarantee fund would be so much higher. Where the past year shows an approach to 41 weeks, or the reaching of or the exceeding of 41 weeks, the guarantee fund would be less. But the guarantee fund payment in any case would have to be substantially more than the present guarantee weekly payment of 7.5 per cent of the direct labor pay roll, in those shops that want to avail themselves of the optional reduction; it would have to be even substantially more than the present guaranty plus the reduction itself to accomplish the purpose of insuring, so far as human foresight can judge, 41 weeks' continuity of work or pay.

"And so we have reached the conclusion that in any shop availing itself of the optional reduced wage, no matter what its past history may have been, the minimum weekly guarantee fund payment should be 25 per cent of the actual direct labor wages instead of 7½ per cent as at present; further, that for the unemployed time within the 41 weeks the worker shall receive the full minimum instead of two-thirds of the minimum wage, provided the fund suffice therefor."

On June 12, 1922, the referees approved applications from 10 firms employing approximately 1,550 workers for the adoption of the revised wage scale contingent upon delivery of effective guaranty to the amount of the percentage required by the board in each case. The percentages were as follows:

Company	Approximate number of employees	Percentage required
H. Black Co.....	400	25
S. Korach Co.....	340	20
H. Blum & Co.....	35	20
Camden Brothers Co.....	145	20
Keller Kohn Co.....	105	33
E. Sterling Co.....	110	37
H. A. Latin Co.....	85	41
Sunshine Cloak & Suit Co.....	135	43
Cohn-Goodman Co.....	100	45
Fried Biederman Co.....	100	45

The manufacturers requested termination of the agreement on December 31, 1922, and a strike seemed imminent. The board of referees acted as mediators and were able to secure agreement on the question of standards of production as against the bargaining method of determining wage rates.

In a continuing agreement effective January 1, 1923, it was provided that the 10 per cent wage reduction established for those houses that would give an absolute guaranty of 41 weeks' work should be eliminated. The referees said: "It was put in at that time, frankly, because of a serious emergency. It failed to serve even that purpose." While the absolute guaranty was abolished, the limitation of the employer's liability, 7.5 per cent of his pay roll, was increased to 10 per cent. The rate of benefit was reduced from two-thirds to one-half of the minimum wage scale on January 1, 1924, and each firm was given the right to employ an additional 20 per cent of the workers in any

<sup>24</sup> Monthly Labor Review, August, 1922, p. 138.

<sup>25</sup> Monthly Labor Review, March, 1923, p. 58.

department for any period not in excess of four weeks in each of the two half-year seasons.

This provision, effective January 1, 1924, did not lead to a large enrollment of temporary employees. Firms in the Garment Manufacturers' Association reported 21 and 18 peak workers in the first and second seasons of 1925, 22 and 22 in the seasons of 1926, and 50 in the first season of 1927 when employment showed an upward trend. In several instances temporary workers were retained permanently. Table 19 shows the engagements of peak workers for each of the reporting firms for 1925 and 1926 and the first season of 1927.

4. *Payment of benefits.*—Workers were required to accumulate their full unemployment periods of 11 weeks before drawing on the fund once a year.

The following plan was devised for the payment of benefits to the workers under the original provisions:

Workers may be divided into three groups: A, week workers; B, workers on standards; and C, pieceworkers. No worker is entitled to be paid for unemployed time until that unemployed time exceeds six weeks. Subject to the limitations established by the referees, workers shall be entitled to pay as follows:

a. *Week workers.*—Each regular week worker shall be paid at his regular weekly rate for the time he is in the factory, plus two-thirds of his minimum rate for that portion of the 20 weeks during which he is laid off.

b. *Workers on standards.*—Each regular worker on standards shall be paid whatever he earns when he is working, plus his minimum rate for his idle time in the factory, plus two-thirds of his minimum rate for that portion of the 20 weeks during which he is laid off. When a person working under standards is called into the factory, he must be kept there for the full day and either given work or paid at the minimum rate for idle time. This is the method suggested by the industrial engineers and already accepted by both the association and the union.

TABLE 19.—Peak workers, 1925-1927, Cleveland ladies' garment industry

Company	Cutting department						Operating department						Pressing department						Finishing department						Miscellaneous	
	1925		1926		1927		1925		1926		1927		1925		1926		1927		1925		1926		1927		1927	
	Season		Season		Season		Season		Season		Season		Season		Season		Season		Season		Season		Season		Season	
	First	Second	First	Second	First	Second	First	Second	First	Second	First	Second	First	Second	First	Second	First	Second	First	Second	First	Second	First	Second	First	Second
Campbell Brothers Co.	1	1	1	3	6	2	1	1	1	1	1	1	3	3	1	1	1	1	1	1	1	1	1	1	1	1
Goodman Co.	2	2	1	2	2	2	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Goodman Cloak Co.	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Keller-Kohn Co.	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
S. C. Klein Co.	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
S. Korach Co.	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
McQueen Co.	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Prince-Wolf Co.	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Shirley Co.	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
E. Smith (S. I. & G. Dress Co.)	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Sunshine Dress & Suit	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Total	4	4	4	8	9	18	11	8	8	5	14	4	3	3	2	11	1	3	3	6	7	1	1	1	1	1

<sup>1</sup> No peakworkers in 1926 or 1927.

c. *Pieceworkers.*—Piecework rates shall be determined as formerly. Each regular pieceworker shall be paid whatever he earns at the determined rate while he is working. When he has finished the work at hand, he shall get more work to do if there is any. If there is not any work ready or expected, he shall be free to leave the factory as formerly, and whether he leaves or remains he shall be entitled to two-thirds of the minimum rate for week workers of his class for whatever part of the 20 weeks he is so unemployed. If, however, the manufacturer asks him to stay in the factory and wait for work that is expected, then the worker shall stay and will be entitled to be paid at the minimum rate for week workers of his class for the time that he remains idle in the factory at the manufacturer's request.

If the manufacturer wants the worker to remain in the factory he must give him an idle time transfer ticket; but if the manufacturer does not want the worker to remain, he must give him an unemployed time or lay-off ticket. This will give the pieceworker almost the same as the workers on standards.

d. *Records for impartial chairman.*—Each manufacturer shall submit to the impartial chairman immediately a statement as to the probable amount of his direct-labor pay roll for the six months from June 1 to December 1, together with a statement showing how that amount is reached by him, and a further statement showing whether he elects to pay 7½ per cent of his direct-labor pay roll in cash each week, or, if he prefers to give security, the nature of the security that he intends to submit. Every manufacturer shall keep a complete labor record of every regular worker, on the form provided by the industrial engineers, and shall send to the impartial chairman at the end of each pay-roll week a statement showing the amount of his total pay roll divided into direct and indirect labor pay roll for that week, together with the 7½ per cent credited to his unemployment fund, and a copy of the weekly statement of unemployed time given to each regular worker for that week. If it develops that the actual direct-labor pay roll is different from the estimate submitted, the impartial chairman retains the right to direct a modification of the security that may be given by those who elect not to make weekly cash payments.

e. *Distribution of unemployment funds.*—The only safe way of assuring a fair distribution of any unemployment fund among the workers having claims on it, is to withhold all distribution until it is clear that the fund is large enough to take care of all claims in full. This would mean that no distribution could be made until almost the end of the 6-month period, and is therefore undesirable. On the other hand, if every claim is paid in full as soon as it is made, there may not be enough money in a fund to pay all those who are entitled to share in it. This also is undesirable. The third possibility is to pay each worker one-half of his claim at the time he makes it and to withhold the other half until the end of the season. The workers should decide which method they prefer and a written statement of the vote of the workers should be submitted to the impartial chairman by the union in order that no question may later be raised by any worker who fails to receive the full amount of his claim or an equal share with other workers whose claims were paid before his arose.

#### DECISIONS OF THE IMPARTIAL CHAIRMAN

There was a good deal of litigation concerning the guaranty before the impartial chairman of the industry. If it can be said that the decisions were governed by any general principle, it appears to be the following pronouncement by the impartial chairman in one of the cases:

"The 'unemployment fund' of the agreement is designed to serve a dual purpose. In the first place, it is to operate as an inducement to the employers to exert themselves to provide continuous employment for their working force. In the second place, it is to serve as a return to the workers—should such theoretically avoidable unemployment nevertheless arise—for the higher compensation which they may be supposed to have given up in return for such assurance. The decisions of the impartial chairman have sought to apply these general considerations to the particular facts."<sup>22</sup>

Throughout, the decisions insist upon strict observance of the employers' obligations under the guaranty. At the outset it was found difficult to secure submission of reports from the outside shops, and the delinquent firms were notified that unless reports were in hand by a specified date an order would be issued directing that no work should be given them by any member of the

<sup>22</sup> Case No. 3011, Aug. 24, 1923.

manufacturers' association until the reports had been received. On July 6, 1921, such an order was issued affecting a number of delinquent shops.

With regard to the payment of benefits, the decisions were not less stringent. It was set forth that "the claim of the workers to the protection of the fund is thus so strong both morally and economically that only the most extraordinary circumstances should deprive them of its benefit."<sup>23</sup> Accordingly, it was held that an interruption of operations due to a fire could not deprive the workers of unemployment pay<sup>24</sup> and an appeal to the board of referees sustained the decision.

In a case involving one of the submanufacturers, the impartial chairman said:

"If, by accident, the course of operation is interrupted, this must be regarded as one of the ordinary risks of business, the brunt of which should not be borne by the workman. In the case of a serious catastrophe involving a long cessation of work, a different principle must be invoked, but such a brief stoppage as the present can not be charged up against the working force."<sup>25</sup>

In another instance, when a firm requested to be freed from the burden of the guaranty for the period involved in moving into new quarters, the chairman denied the request, holding that: "the guaranty is a virtual part of the compensation received by the workers, and no part of this may be deducted by reason of adjustments or rearrangements carried out by the firm primarily for greater effectiveness."<sup>26</sup> In another case<sup>27</sup> the firm requested that the guaranty be figured on the basis of 46/52ds of 41 weeks because of a period of six weeks lost on account of fire. The chairman considered this case to be marked by "extraordinary circumstance." He stated that, "the firm was in a position to offer continuous employment for the period involved; the fire was a complete disaster and there is no trace of bad faith in any respect." The firm's claim was granted. In 1925, the chairman allowed another firm whose factory had been flooded during a fire, to give as its 1924 guaranty a period of weeks proportionate to the part of the year prior to the disaster.<sup>28</sup>

Because of the number of firms that went out of business in the period of depression that followed the inception of the plan, there were several cases dealing with the liability of a liquidating firm to its employees under the guaranty. The general tenor of the decisions is that the firm's responsibility does not cease upon their liquidating the business either deliberately or in consequence of mishap. One of the decisions,<sup>29</sup> reaffirmed by the board of referees, concerned the house of Fried-Biederman, which went out of business on October 1, 1922. The firm was of the view that as none of their workers had been unemployed for 11 weeks, they had no further liability toward them. The impartial chairman maintained that each house was obligated to give 41 weeks' employment to each of its workers during the calendar year, and that inasmuch as the workers were required to accumulate their unemployment up to 11 weeks before they were entitled to draw on the unemployment fund, the firm would be liable for any unemployment over 11 weeks to December 31, 1922. The chairman held, "That it should have become necessary for the firm to liquidate its affairs and that this should have occurred a month and a half before the expiration of the year, are matters much to be deplored and of the gravest consequences to the ultimate interest of the workers. But such unfortunate necessities may not deprive the workers of the unemployment benefits for which they may be supposed to have undergone sacrifices in the form of lower wages during the preceding 10½ months."<sup>30</sup>

The manufacturers' association thought that the most that should be expected from the house would be a pro rata of the unemployment on the basis of eight months, that is, that the firm should be liable for two-thirds of the 11-week period. The firm accepted this compromise, but the impartial chairman, after a full hearing, decided that their liability was similar to that on the lease of their building, and that the workers were entitled to benefits on all unemployment over 11 weeks in the calendar year. At first Fried-Biederman refused to

<sup>23</sup> Case No. 2072, Nov. 25, 1922.

<sup>24</sup> Case No. 2061, Oct. 2, 1922.

<sup>25</sup> Case No. Sub. 8, Mar. 17, 1923.

<sup>26</sup> Case No. 2080, Jan. 28, 1923.

<sup>27</sup> Case No. 3011, Aug. 24, 1923.

<sup>28</sup> Case No. 1-11.

<sup>29</sup> Case No. 2072, Nov. 25, 1922.

<sup>30</sup> When the Nenger Co. went out of business and the amount of unemployment pay was in dispute, the chairman quoted this pronouncement and sustained the workers' claims. (Case No. 1-18, Feb. 24, 1926.)

settle and threatened to apply to the courts for an injunction. They had resigned from the manufacturers' association, which therefore could not require them to comply with the decision, but the association notified them that they were in duty bound to do so and that the association would assume the obligation of the firm did not. The house thereupon agreed to comply with the decision. The board of referees warned the manufacturers that if they were going to be confronted with injunction proceedings, they would have to reconsider whether the deposit of a surety bond instead of cash contributions would be permitted.

In September, 1923, another firm that had gone out of business argued that as all but three employees had quit and that these three had been given other employment by the manufacturers' association, the amount paid into the guaranty fund should be returned. The chairman referred the question to the two parties for some practical schedule of payments with the statement, "In any event, I think the unpaid amount must be regarded as a liability and must be paid up."

The application of the guaranty was modified in an instance where, in the chairman's view, "extraordinary circumstance" had arisen. It was stated in the decision that: "The termination of the firm's existence has been brought about by forces incident to business mortality and is in no way due to deliberate intention."<sup>22</sup> The impartial chairman accordingly limited the firm's obligations to unemployment incurred in the first six months of the year.

In 1926, certain employees who had been on lay-off for 12 weeks and apparently thought the firm had gone out of existence, claimed unemployment compensation for the full period. The firm argued that compensation should not be granted for time lost after a specified date when the employees failed to return to work although notified. The union contended that the notification was a ruse and that no work was available, but the chairman stated that the firm was within its formal rights and upheld their condition. He ruled, however, that a dress cutter could not be required to report for work on hospital gauze since that could not be considered regular work and that he should have unemployment credit for the full period. Another worker, who had secured other employment and was advised by the firm that he should not leave it for the few days' work they had, was granted full compensation.

A number of decisions dealt with a firm's failure to properly notify employees to report to the shop or the workers' failure to respond to the notice. In 1921, when a firm did not notify an employee to report for work after a lay off, it was ordered that he should be credited for unemployment for each day until he resumed work. In another similar case, when it was shown that a letter of notice to the employee correctly addressed had not been returned to the firm and when the employee admitted certain misrepresentations, the claim was not granted. In another case, when the firm's notice was improperly addressed but the employee was also at fault in that he did not inquire when he would be needed, although he called at the shop and saw the other operators working, the decision granted the worker only half the days lost as unemployed time. Again, the union complained that a firm did not credit its employees with employed time for holidays during a lay off, contending that they would not have reported if they had been called; the chairman ruled that as there was no work for the employees, they were not voluntarily absent and that the holidays must be considered in computing their benefits under the guaranty. But when the workers observed a holiday although work was available, it was ruled that the absence was voluntary and not comparable.

Questions also arose as to the application of the guaranty to time lost through disputes in the shops. In a case of March 28, 1922, four operators who had been working in pairs and had failed to produce the minimum standard refused to work separately and left the shop. The chairman ruled that they should return to work in pairs, but that if the minimum were not attained within two weeks, they might be separated. The claim of the operators for back pay for the lost time was refused, and also a subsequent claim for unemployment pay for the period of appeal.

The number of cases in which the union claimed that workers had not been credited with all of their unemployed time, were decided according to the records. When the records were not clear, the decision was usually a compromise allowing the worker part of the time claimed.<sup>23</sup>

<sup>22</sup> Case No. 3049, July 30, 1924.

<sup>23</sup> Case No. 2074, Jan. 6, 1923; case No. 2078, Jan. 6, 1923; case No. 1-21, Mar. 27, 1926.

Pronouncements were also made on claims for unemployment credit from workers ordered discharged for nonpayment of union dues. In one case<sup>24</sup> the chairman ruled that the days lost between the time when the worker was ordered discharged and the date of his reinstatement should be considered voluntary absence. In another<sup>25</sup> the chairman refused to give the complainants any relief. When a discharged employee petitioned for unemployment pay from the period from the date of his discharge to the end of the year, the chairman ruled that the worker should receive "the same unemployment pay he would have got if he had not been discharged" \* \* \* If he had not been discharged there would have been a period of unemployment for which he was entitled to receive unemployment pay."<sup>26</sup>

#### SUMMARY OF EXPERIENCE

1. *Benefit payments.*—The records of the plan do not permit a complete quantitative presentation of its history, but some statistical data are available. The benefit payments to the end of the 1926 totaled \$199,834.06.

The figures for each year are as follows:

1921 (6 months) (benefit, two-thirds of the minimum wage scale) —	\$40,830.05
1922 (benefit, two-thirds of the minimum wage scale) —	47,895.19
1923 (benefit, two-thirds of the minimum wage scale) —	40,936.24
1924 (benefit, one-half of the minimum wage scale) —	24,055.66
1925 (benefit, one-half of the minimum wage scale) —	29,311.85
1926 (benefit, one-half of the minimum wage scale) —	16,805.07

The total annual pay roll of the market since the plan was inaugurated could not be secured and it was impossible, therefore, to express the unemployment benefit expenditure as a percentage of the pay roll, but the following is a statement of the annual percentages for a group of four firms whose records were complete:

Year	Pay roll	Unemployment benefit	Per cent
1921 (6 months) —	\$207,685.19	\$5,983.01	2.88
1922 <sup>1</sup> —	486,778.79	2,352.86	.48
1923 <sup>1</sup> —	600,617.17	3,426.99	.57
1924 <sup>1</sup> —	522,392.51	2,352.46	.45
1925 <sup>2</sup> —	458,873.49	5,459.52	1.19
1926 <sup>2</sup> —	504,090.07	3,418.08	.68

<sup>1</sup> Benefit, two-thirds of the minimum wage scale.

<sup>2</sup> Benefit, one-half of the minimum wage scale.

Table 20 shows by associations the numbers of firms participating in the plan in each year, the amount of the guarantee fund, and the amount of benefit paid.

Table 21 shows for the Cleveland Garment Manufacturers' Association the percentage of the unemployment fund paid to the employees in each year since the inception of the plan.

2. *Opinions concerning plan.*—Inasmuch as the history of the women's wear industry in Cleveland during the period when the unemployment plan has been in existence, shows a shrinkage of employment (see chart 18) which employers attribute to a number of factors quite unrelated to the plan, it is difficult to evaluate results. Fifteen firms in a list of 35 which constituted the total number operating under the 1919 agreement between the garment manufacturers' association and the union, were not in business in January, 1927, and only one new firm had been added to the list.

It has been asserted that "criticism has developed within the ranks of the International Ladies Garment Workers' Union against the unemployment fund in that branch of the industry located in Cleveland. Stabilization in Cleveland, officials of the national organization contend, has produced more irregularity in the other centers of manufacture."<sup>27</sup>

<sup>24</sup> Case No. 2076, Jan. 6, 1923.

<sup>25</sup> Case No. 2082, Jan. 6, 1923.

<sup>26</sup> Case No. 3025, Jan. 5, 1924.

<sup>27</sup> Leo Wolman, *The Future for Unemployment Insurance*, American Labor Legislation Review, March, 1923, p. 41.

TABLE 20.—*Guarantee funds or benefit funds by employing groups 1921-1926—Cleveland ladies' garment industry*

## CLEVELAND GARMENT MANUFACTURERS' ASSOCIATION

Year	Number of firms	Total guaranty fund	Total paid to workers
1921 (6 months).....	33	\$93,274.40	\$32,526.41
1922.....	25	263,524.26	33,622.31
1923.....	21	166,871.35	25,794.83
1924.....	16	138,435.73	16,520.36
1925.....	15	132,476.93	18,928.24
1926.....	15	142,556.61	12,078.10

## INDEPENDENT MANUFACTURERS (NOT IN C. G. M. A. AND NOT IN ANY ASSOCIATION AFTER 1923)

1921 (6 months).....	13	\$7,064.33	\$1,087.81
1922.....	17	5,388.78	1,107.82
1923.....	13	5,453.76	1,032.70
1924.....	10	20,042.89	1,608.92
1925.....	12	24,408.44	5,581.36
1926.....	9	24,733.07	330.00

## SUBMANUFACTURING FIRMS

1921 (6 months).....	40	\$9,609.27	\$6,315.83
1922.....	28	15,406.68	10,830.17
1923.....	18	15,614.22	10,123.48
1924.....	25	19,310.54	6,926.38
1925.....	16	15,283.46	4,801.25
1926.....	18	28,723.95	3,396.97

## ALL OTHER FIRMS

1922.....	17	\$11,820.95	\$2,325.89
1923.....	18	24,531.91	3,085.23

- <sup>1</sup> Mutual Garment Manufacturers Association.  
<sup>2</sup> Independents "Paid to Workers" for 1924, figures incomplete and therefore the total indicated in this one figure is probably lower than it should be.  
<sup>3</sup> Not in any association.  
<sup>4</sup> Cleveland Cloak Submanufacturing Association.  
<sup>5</sup> Independent manufacturers and submanufacturers not in any association.  
<sup>6</sup> Independent manufacturers not in any association; may include some submanufacturers.

TABLE 21.—*Unemployment fund and benefit payments 1921-1926—Cleveland Garment Manufacturers' Association*

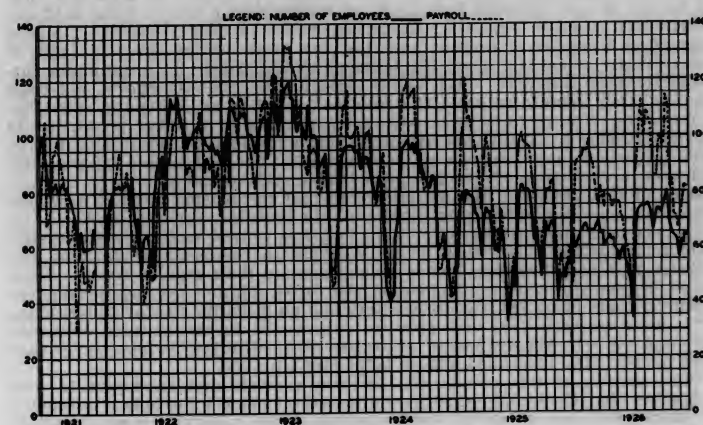
Year	Total fund	Total paid to workers	Total saved	Per cent paid out
1921 (6 months) (7½ per cent).....	\$93,274.40	\$32,526.41	\$60,747.99	34
1922 (7½ per cent).....	263,524.26	33,622.31	229,901.95	12.4
1923 (10 per cent).....	166,871.35	25,794.83	141,076.52	15
1924 (10 per cent).....	138,435.73	16,520.36	121,915.39	12
1925 (10 per cent).....	132,476.93	18,928.24	113,548.69	14.3
1926 (10 per cent).....	142,556.61	12,078.10	130,478.51	8.4
	937,149.30	139,571.25	797,578.05	14.8

<sup>1</sup> Blacks, 25 per cent; camphen, 20 per cent; sunshine, 43 per cent.

The promoters of the scheme, however, seem to have been convinced of its success. William J. Mack, impartial chairman for the industry in Cleveland, wrote in December, 1921: "While practically every other center is in the midst of a bitter fight, the manufacturers and the union in Cleveland are working out jointly and harmoniously various phases in this experiment, which our

experience has convinced us is fundamentally sound, progressive and constructive." Mr. Mack also asserted that the plan had resulted in more regular employment:

"The knowledge that by giving their workers greater continuity of employment they can save a large overhead, can avoid a considerable and expensive labor turnover and thus gain the increased production that always accompanies the increased stability of a permanent labor force, and that they can save directly 7.5 per cent of their total labor pay roll for the entire year—this has made manufacturers strive to get all possible orders, even those that they formerly did not consider worth while. And the fact that even under the abnormal conditions of the last six months a great many manufacturers have received back a substantial part, and in some instances all, of their unemployment fund, shows that the incentive of this plan has been a real stimulus, and that as a consequence unemployment in our industry in Cleveland has been reduced. The increase in the efficiency and productivity of the workers and the decrease in waste attendant upon this combination of production standards



RELATIVE NUMBERS OF  
 EMPLOYEES AND PAYROLL TOTALS BY WEEKS  
 1923=100  
 FOUR SELECTED FIRMS IN THE CLEVELAND GARMENT MANUFACTURERS' ASSOCIATION  
 JUNE 1921-DECEMBER 1926

and continuity of employment have resulted in an increase in the earnings of the workers and a decrease in the unit cost of production (and therefore an increase in profits) to the manufacturers." <sup>42</sup>

And he concluded:  
 "It provides new and substantial incentives for the workers to give full production and for the employers to give their workers as great a continuity of employment as they can. Thus far it has been so successful and so satisfactory to both sides that, with the rest of the country engaged in industrial strife, this unique agreement has just been renewed. It is not peculiar either to the ladies' garment industry or to Cleveland, but its basic principles can be adapted to practically an industry or locality. I believe it takes us far along the road not merely to the relief of the unemployed but to the prevention of unemployment." <sup>43</sup>

On the other hand, Benjamin Schlesinger, president of the Union, during the inception of the plan was open in his disapproval and it has been said that

<sup>42</sup> W. J. Mack, *Safeguarding Employment: The Cleveland Plan of Unemployment Compensation*, American Labor Legislation Review, March, 1922, p. 25.

<sup>43</sup> Ibid., p. 29.

<sup>44</sup> Ibid., p. 30.

he did not visit the Cleveland union for some time as a protest against their action in the matter.

Some testimony is available as to the efficacy of the plan in stabilizing employment in the industry. It was reported in a study of the scheme by the United States Bureau of Labor Statistics that:

"Numerous methods of meeting the situation have been devised by the employers affected by this plan. They have taken risks in cutting garments ahead of sales; they have added other lines of work; they have increased their sales forces; they have taken greater chances in purchasing materials in advance, and have accepted orders to be made up in otherwise idle time without profit or even at a loss.

"The plan has undoubtedly proved an incentive to efficiency. There was an increase of work in the shops and an indirect gain through increased labor stability and increased production, resulting from continuity of employment. It seems to be simple, practical, fair in its limitation of liability, and remunerates the worker in accordance with the work done. Its effectiveness in reducing seasonal unemployment refutes to some degree, at least, the argument that the burden of idle factories and weeks of nonproduction are so great that employers need no other incentive. Recurring seasons of unemployment have been accepted as a matter of routine, and this plan of rewarding the manufacturer who succeeds in holding down his seasonal unemployment to a minimum furnishes the shop incentive. The results depend upon his own efforts, not upon those of other manufacturers. The fund has acted as an automatic gradation of the scale. The manufacturer pays a scale which is in direct proportion to his unemployment. Employers having no unemployment, as interpreted by the referees' decision, pay 100 per cent; others pay 101 per cent, others 110 per cent, and so on, according to efficiency in regularizing employment."

Some of the officials of the union declare that the scheme has had a whole-some effect upon the industry in Cleveland. In 1923, Mr. Perlstein said:

"It has been in operation two years and has proved eminently successful. Employers planned their work so as to avoid the necessity of farming out portions of it and thus gave steady employment to their regular forces. They gained in turn through maintenance of the forces without the heavy turnover which formerly prevailed because workers had no incentive to stay in one shop.

"It costs between \$100 and \$150 to train a girl in the garment industry. The employer who keeps a girl after he has invested in her training saves that much money. The insurance scheme helps him keep her.

"The success of this cooperation between workers and employers is seen in the fact that Cleveland, which is not a natural market for ladies' garments, has supplanted Chicago as the second market of the industry. Representatives of the International Ladies Garment Workers' Union are frequently asked to address the buyers at style shows held in Cleveland on the rule of reason prevailing in the industry there."

The manufacturers' association has also testified to the importance of the plan as a stabilizing force:

"The result of the plan has, without any doubt, been an increase of work in the shops. It is true that the work has often been increased at a loss to the employer and it is a question whether some manufacturers would not rather take a loss through the employment fund. However, the incentive is direct and appealing, and appears to be the only way in which the evil of unemployment can be eradicated or limited in this seasonal industry."

Fred C. Butler, manager of the Cleveland Garment Manufacturers' Association, records certain defects in the plan. The right of the employee to work elsewhere when unemployed at his own shop, without losing his benefit makes it possible for him to earn five-thirds of his scale during a lay off or he may prefer being unemployed at two-thirds pay rather than working at three-thirds. He was inclined to invite the state of unemployment. In Mr. Butler's view the reduction of the benefit from two-thirds to one-half of the minimum scale would lessen but not remove this defect." Mr. Butler also says:

"Another defect of the plan and perhaps of any similar plan, is that the valley of unemployment is narrowed very often at the expense of the workers in other lines. The manufacturer in the endeavor to give his own people work, takes in orders from kindred lines which he makes up without profit or even

<sup>44</sup> Monthly Labor Review, July, 1924, p. 28.

<sup>45</sup> Chicago Daily News, May 7, 1923, op. cit.

<sup>46</sup> Monthly Labor Review, August, 1922, p. 138.

<sup>47</sup> Fred C. Butler, op. cit., p. 142.

at a loss. He is very fortunate if such orders can carry some part of his overhead expense. This helps him but it becomes unfair competition for the other trades. If the makers of women's garments during their slack seasons make up men's clothing at cost or less and if the manufacturers of men's clothing during their idle periods make women's coats and dresses at less than cost, each is hurting the legitimate and regular trade of the other. He is solving his own problem but at his neighbor's expense."

But Mr. Butler insists that there have been substantial gains from the plan. "It is effective in its incentive for the reduction of unemployment periods." He asserts that unemployment has been reduced:

"There are no definite figures as to the amount of employment given in the market before the institution of the fund but the average probably did not exceed 36 weeks annually. It will thus be seen that the fund has caused the elimination of a considerable amount of seasonal unemployment."

Some employers in the Cleveland women's-wear market make the charge that the employment-guarantee plan has resulted in an extension of overtime and an increased use of the small "emergency" shop which is not affiliated with the union and which can hire and fire according to orders on hand. It was impracticable to attempt to assemble data which would prove or disprove their charges.

Some of the employers claim that the incentive to keep people busy over 40 weeks is lacking and that they should be rewarded in relation to continuity of employment furnished over the 40 weeks as well as being penalized for employment under 40 weeks.

The efficacy of the Cleveland plan as an incentive for regularization of employment varies, of course, with the different firms. Forty weeks' employment in the year is not something unheard of in the history of the industry. The United States Bureau of Labor Statistics records guarantees of 43 weeks and even 46 weeks in the cloak industry of New York.<sup>48</sup> It is evident that some of the Cleveland firms afforded steady employment. The Report on a Plan for Marketing Slack Season Output of the Cleveland Garment Manufacturers asserted that some plants worked 52 weeks in the year.<sup>49</sup> Obviously, some of the firms participating in the Cleveland plan would be in no way affected by a 40-week guarantee of employment. Their depositing of a surety bond to insure the payment of 40 weeks' wages would be merely a gesture.

#### CLOAK AND SUIT INDUSTRY, NEW YORK CITY

##### BACKGROUND

1. *The industry.*—There is unusually authoritative information concerning this industry available in the report of a New York commission appointed in 1924 to aid the employers and the union to reach agreement in a number of controversial matters which threatened to break down contractual relations.

The commission found an industry that in 1924, according to the union, employed 33,153 workers distributed among 1,725 shops with an annual production valued at over a third of a billion dollars or about four-fifths of the national output. Over a period of years there had been a great increase in the value of the national production, but in the New York market the number of shops had increased, while the number of workers had shown a marked decrease.

"Between 1914 and the beginning of 1924 the approximate number of shops had risen from about 1,750 to more than 2,100, while the number of workers employed had decreased from about 50,000 to 36,000. This change involved a decline in the average number of workers per shop from about 29 to less than 17."

The statistics of the New York Department of Labor also show a steady decline in employment in the industry since 1914. (See chart 16, p. 3 and Table 22.)

In the period 1914 to 1919 the proportion which wages bore to the value of the product declined from 17.5 to 14.9 per cent.<sup>50</sup>

<sup>48</sup> Fred C. Butler, op. cit., p. 142.

<sup>49</sup> Ibid., p. 141.

<sup>50</sup> Margaret Gadsby, *Steadying the Worker's Income*, Monthly Labor Review, July, 1924, p. 29.

<sup>51</sup> Ibid., p. 4.

<sup>52</sup> John Dickinson and Morris Kolchin, *Report of an Investigation With Special Reference to Matters in Controversy Before the Commission*, Governor's advisory commission cloak, suit, and skirt industry, New York City, Mar. 10, 1925, p. 5.

<sup>53</sup> Ibid., p. 3.

Production was carried on by two methods. Under the "inside shop, contractor system" the manufacturer owned and operated a factory where his own employees made garments out of materials owned by the manufacturer. Manufacturing and responsibility for production were in the same hands. These "inside shops" frequently had as auxiliaries small "contract shops" which relieved cut goods from the inside shop, sewed them into garments and returned them to the "inside manufacturer" for marketing.

TABLE 22.—*Employment in the ladies' garment industry 1914-1917 New York State*

[1923=100]

[Source: New York Department of Labor, Industrial Bulletins]

Month	1914	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927
January.....	129.2	145.5	136.1	117.3	109.6	117.2	97.6	77.0	104.0	97.3	85.2	90.6	89.2	89.2
February.....	151.1	152.0	145.7	132.3	104.7	118.6	102.9	101.3	108.0	101.3	93.3	98.0	93.2	93.2
March.....	159.7	166.6	149.5	136.2	103.4	121.1	110.0	105.3	113.4	102.7	104.0	98.7	97.3	97.3
April.....	161.9	166.8	141.6	123.0	111.1	111.5	106.9	98.7	112.1	97.3	97.3	91.9	91.9	91.9
May.....	146.4	111.8	116.8	109.7	98.1	101.9	100.3	89.2	100.0	83.8	83.8	86.5	86.5	86.5
June.....	135.1	137.6	98.2	107.0	109.5	95.0	92.0	89.5	78.4	90.6	71.6	74.3	77.0	77.0
July.....	112.2	115.3	70.7	110.0	107.3	114.0	87.6	89.6	78.5	86.5	58.1	73.0	54.1	54.1
August.....	144.7	140.1	129.3	123.9	106.1	113.3	95.4	95.7	88.9	93.3	73.0	81.2	90.8	90.8
September.....	163.1	167.8	158.2	133.5	110.8	120.7	103.3	102.3	101.0	101.3	90.6	91.9	78.4	78.4
October.....	157.4	160.8	145.8	129.3	104.7	121.2	109.6	102.1	104.3	106.7	94.7	96.0	83.8	83.8
November.....	132.6	144.3	128.8	108.9	91.5	111.3	98.6	82.2	98.7	94.7	85.2	90.6	77.0	77.0
December.....	119.1	132.3	116.2	103.1	93.5	115.0	96.1	76.1	96.0	89.2	85.2	89.2	86.5	86.5

In the second method of production, the "jobber-submanufacturer" system, the "jobber" was in the place of the inside manufacturer, but he had no shop. He bought the piece goods and turned them over to a "manufacturer," who owned and operated a shop and cut and made up the garments. The jobber might supply goods to a number of submanufacturers, who ordinarily worked for a varying number of jobbers and competed with others of their group for this business. The two systems overlapped. A number of inside manufacturers were also jobbers, while certain submanufacturers, in addition to making garments for jobbers, sold some garments directly to retailers and to that extent were inside manufacturers. The governor's commission estimated that approximately 75 per cent of an annual output valued at about \$370,000,000 was produced under the jobbing-submanufacturing system.<sup>54</sup>

The tendency of the jobber-submanufacturer system, "the less stable, less responsible, and industrially less wholesome outside system,"<sup>55</sup> as it was characterized by the commission, to supplant the method of inside manufacturing, with the consequent multiplication of small shops steadily decreasing in the number of their employees, was the fundamental cause of the controversy between the union and employers, and prompted the union's proposals for a guaranteed term of employment, unemployment compensation, and limitation of submanufacturers. The commission found that "the small shop facilitates two things which workers have always regarded as grievances—first, irregularity of employment and, second, various forms of 'speeding up' or task work"<sup>56</sup>; and as stated in a later report "by general agreement the fundamental problem is irregularity of employment."<sup>57</sup>

The largest firm investigated had about 300 employees, and there were not more than three or four firms in the market with more than 200 employees. The average number of workers in the inside shops, which employed nearly 30 per cent of the employees of the market, was about 40, while in the outside shops the average number of employees was probably not more than half as many. Commenting on the instability of the industry the commission stated:

"The number of workers changes from day to day because of the extremely seasonal character of the industry, and similarly the number of shops alters

<sup>54</sup> Dickinson and Kolchin, Report of an Investigation, etc., op. cit., p. 10.

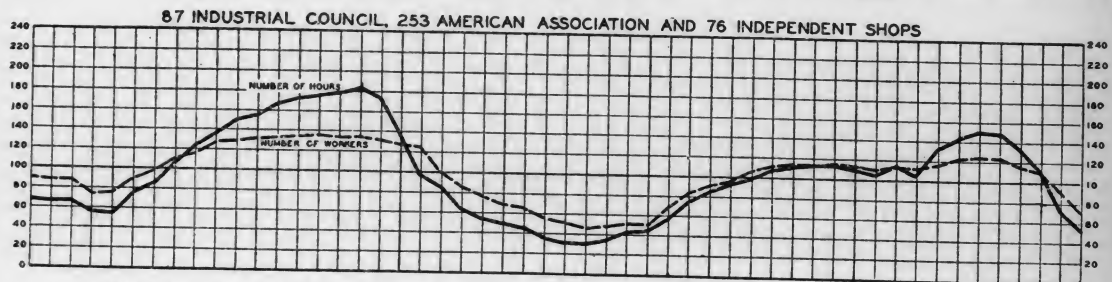
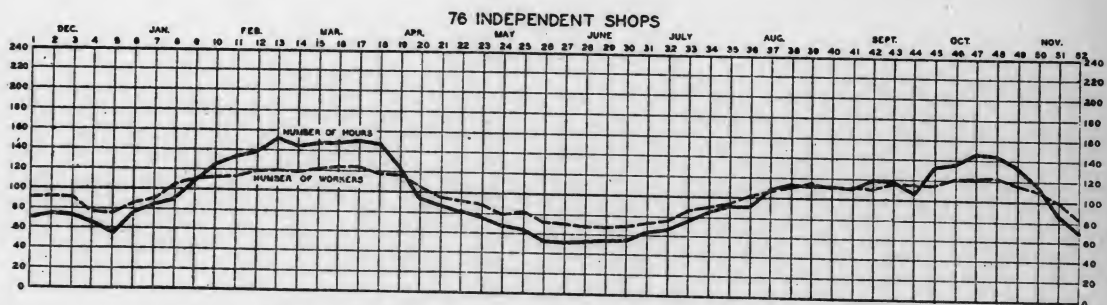
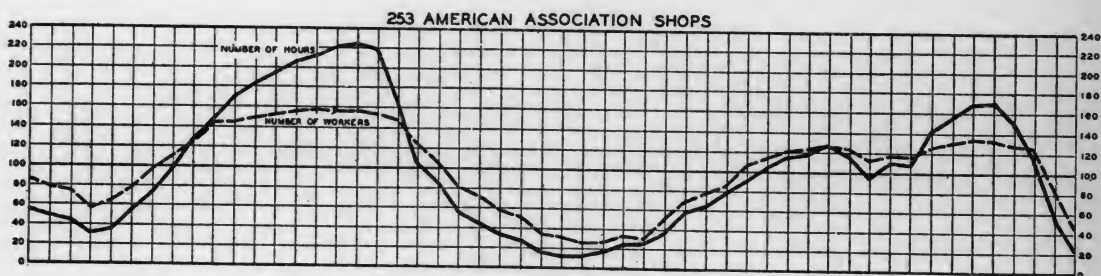
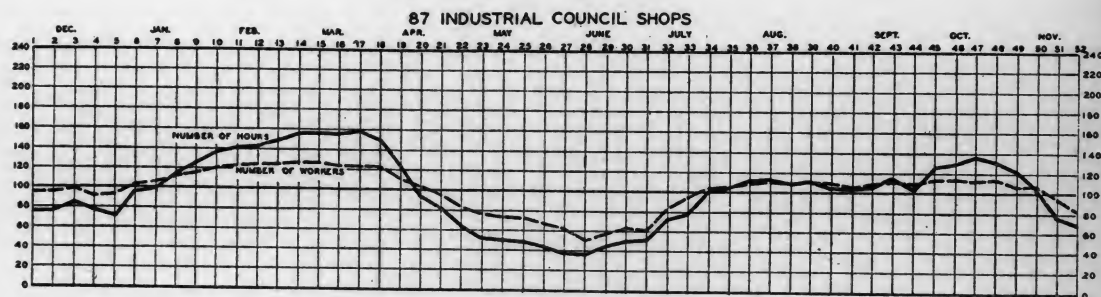
<sup>55</sup> Governor's advisory commission, cloak, suit, and skirt industry, Final Recommendations, New York City, May 20, 1926, p. 5.

<sup>56</sup> Ibid., p. 14.

<sup>57</sup> Morris Kolchin, Wages and Wage Scales, 1925, governor's advisory commission, cloak, suit, and skirt industry, New York City, Dec. 1, 1925, p. 11.

# EMPLOYMENT IN THE NEW YORK CITY CLOAK, SUIT AND SKIRT INDUSTRY

DECEMBER 1, 1924 - DECEMBER 1, 1925  
WEEKLY AVERAGE FOR THE YEAR = 100



from week to week, the rate of turnover among the largest class of shops being approximately 38 per cent per year. This is not unnatural in an industry where no elaborate physical plant is required and where a shop can be set up in an hour by moving a few sewing machines into a rented room."<sup>23</sup>

This high mortality rate among the marginal submanufacturing shops meant that large numbers of workers were being continually thrown on the labor market, and, although eventually some of them would be absorbed by new shops, there was constant maladjustment.

In order to arrive at an understanding of the implications of the union's demand for a guaranteed period of employment, the commission's investigators studied employment and earnings in the industry. The average per capita weekly hours of the full complement of workers for the year July, 1923, to June, 1924, was 33.8 in inside shops and 26.3 in submanufacturing shops. The inside shops had, therefore on the average 27 per cent more employment than the submanufacturing shops. The more highly seasonal character of employment in the submanufacturing branch of the industry is shown on the accompanying charts and tables from one of the commission's reports.<sup>24</sup> (Chart 19, Tables 23 and 24.) The average earnings from week to week and for the year were \$38.80 and \$2,016 respectively, in inside shops and \$32.30 and \$1,675 in submanufacturing shops.<sup>25</sup>

2. *Organizations within the industry.*—A majority of the employers in the ladies' cloak and suit industry in New York are organized in the Protective Association of Cloak, Suit, and Skirt Manufacturers, an organization of inside manufacturers established in 1910, and the American Cloak and Suit Manufacturers' Association, organized among the submanufacturers in 1919. In 1924 the labor department of the protective association was disbanded and some time later a separate body known as the Industrial Council of the Cloak, Suit, and Skirt Manufacturers' Protective Association was formed to represent the members of the association in labor matters. There are a number of independent employers of each class. Among the jobbers who employ no labor directly there is an association known as the Merchants Ladies' Garment Association. The employees' organization is the International Ladies Garment Workers' Union of America, and about 90 per cent of the employees in the city have been organized. It was estimated in the fall season of 1924 that there were 457 nonunion shops in and about New York, employing about 3,100 workers.<sup>26</sup>

3. *Unemployment Insurance Plan.*—Contracts between the employers' and workers' organizations expired on June 1, 1924, and among other things the union demanded the following:

"Fifth. Establishment of guaranteed length of employment based on the same principle that now exists in Cleveland. This means that the union will endeavor to have each manufacturer and jobber guarantee to his employees, inside as well as outside, a certain definite length of employment per year. In order to insure this employment, an amount equal to 10 per cent of the pay roll should be deposited, according to the plan, and employees of jobbers and manufacturers who fail to furnish employment for the specified time paid two-thirds of their standard wage scale for the time they are idle.

"Sixth. Joint unemployment insurance fund to be established, to which jobbers as well as manufacturers should contribute, from which workers totally unemployed should be paid certain definite sums per week for a certain time during the year.

"Seventh. Registration of all workers and formation of a labor bureau which would supply workers for employers and keep track of workers entitled to insurance."<sup>27</sup>

In addition to these demands concerned with unemployment compensation, the union requested that there should be a limitation on the number of contractors. When the employers refused to accept the demands of the union, the entire industry was threatened with disruption. Governor Smith was

<sup>23</sup> Dickinson and Kolchin, Report of an Investigation, etc., op. cit., p. 3.

<sup>24</sup> Morris Kolchin, Employment and Earnings of Workers, 1925, Governor's Advisory Commission, Cloak, Suit, and Skirt Industry, New York City, March, 1926, pp. 3-17.

<sup>25</sup> Governor's Advisory Commission, Cloak, Suit, and Skirt Industry, Supplementary Recommendations, New York City, July 10, 1925, p. 74.

<sup>26</sup> Dickinson and Kolchin, Report of an Investigation, etc., op. cit.

<sup>27</sup> Margaret Gadsby, Steadying the Worker's Income, Monthly Labor Review, July, 1924, p. 31.

asked to intervene and he appointed the advisory commission already referred to, to assist the parties in reaching an amicable adjustment of their differences and to endeavor to promote peace and stability in this, the leading industry of New York.

The commission decided that it was impossible to estimate the cost of a guaranteed period of employment, and declined to support such a step or the limitation of contractors, but they recommended—

"That the manufacturers and jobbers shall cooperate with the union in establishing and maintaining an unemployment insurance fund for the benefit of the members of the union. The fund shall be made up by contributions from the manufacturers, submanufacturers or contractors and the union or individual members of the union; the contributions of the employers to the unemployment insurance fund shall be equal to 2 per cent of the weekly pay roll and that of the workers to 1 per cent of their weekly wages. The fund shall be administered jointly under proper rules and provisions to be agreed upon by both parties.

"We believe that the parties in a highly seasonal industry, as the cloak and suit industry, should establish an unemployment insurance fund by voluntary arrangement with a view to encouraging the lengthening of the seasons of employment and to relieving the employees from some of the more acute hardships that a highly seasonal industry imposes upon them."

This recommendation was accepted in agreements entered into the summer of 1924, between the industrial council of the Cloak, Suit, and Skirt Manufacturers' Protective Association, the American Cloak and Suit Manufacturers' Association, the Merchants Ladies' Garment Association on the employers' side, and the International Ladies Garment Workers' Union and the joint board of the Cloak, Suit, and Reefer Makers' Union for the employees.

Contributions were begun in August, 1924, and payments of benefits on June 1, 1925.

TABLE 23.—Comparison of seasonal fluctuations in number of workers in three groups of shops, December 1, 1924, to December 1, 1925, New York cloak and suit industry<sup>a</sup>

[Average for the year=100]

Month and week number	American	Industrial council	Independent	Total
December:				
First.....	85.6	94.8	91.5	90.5
Second.....	79.5	95.3	92.7	88.3
Third.....	77.1	99.6	90.2	88.5
Fourth.....	55.8	91.1	77.5	74.1
January:				
Fifth.....	63.7	92.5	77.0	77.6
Sixth.....	79.1	101.6	84.4	89.0
Seventh.....	96.0	103.9	90.2	98.0
Eighth.....	110.2	111.8	104.8	109.8
Ninth.....	123.1	115.1	110.3	117.5
February:				
Tenth.....	141.2	120.9	112.3	127.6
Eleventh.....	141.8	121.9	113.7	128.5
Twelfth.....	148.8	122.1	119.1	132.5
Thirteenth.....	151.5	123.5	120.0	134.3
March:				
Fourteenth.....	155.3	125.2	119.4	136.5
Fifteenth.....	158.2	125.2	120.8	137.9
Sixteenth.....	157.3	122.9	121.6	136.8
Seventeenth.....	157.7	122.6	121.8	136.9
April:				
Eighteenth.....	154.2	121.4	118.7	134.4
Nineteenth.....	147.0	111.6	118.3	127.6
Twentieth.....	123.0	104.3	105.5	112.2
Twenty-first.....	104.4	95.6	96.0	99.3
May:				
Twenty-second.....	80.2	83.4	92.0	83.8
Twenty-third.....	71.2	78.3	89.5	77.6
Twenty-fourth.....	59.1	75.5	79.7	69.6
Twenty-fifth.....	51.4	74.2	80.4	66.0
Twenty-sixth.....	36.2	66.8	71.4	55.1

<sup>a</sup> Source: Governor's advisory commission, cloak, suit, and skirt industry, Employment and Earnings of Workers, 1925, p. 11.

<sup>b</sup> Dickinson and Kolchin, Report of an Investigation, etc., op. cit., pp. 159-160.

TABLE 23.—Comparison of seasonal fluctuations in number of workers in three groups of shops, December 1, 1924, to December 1, 1925, New York cloak and suit industry—Continued

Month and week number	American	Industrial council	Independent	Total
June:				
Twenty-seventh.....	32.3	61.9	70.0	51.3
Twenty-eighth.....	26.4	50.3	67.5	43.8
Twenty-ninth.....	28.8	57.1	67.5	47.5
Thirtieth.....	34.0	61.6	68.4	51.6
July:				
Thirty-first.....	31.5	60.5	71.6	50.8
Thirty-second.....	52.0	81.5	75.7	68.2
Thirty-third.....	67.2	94.7	84.4	81.4
Thirty-fourth.....	78.8	103.0	89.1	90.3
August:				
Thirty-fifth.....	85.4	106.4	94.3	95.4
Thirty-sixth.....	107.2	107.9	100.1	106.1
Thirty-seventh.....	114.1	110.9	105.8	111.3
Thirty-eighth.....	120.9	108.6	110.9	114.2
Thirty-ninth.....	121.5	110.1	115.1	115.8
September:				
Fortieth.....	127.8	109.5	110.5	117.2
Forty-first.....	123.3	105.3	112.6	114.1
Forty-second.....	113.6	108.5	112.2	114.3
Forty-third.....	116.4	110.2	116.0	113.9
October:				
Forty-fourth.....	116.3	109.7	115.0	113.6
Forty-fifth.....	126.1	112.3	115.7	118.7
Forty-sixth.....	130.6	112.5	120.4	121.5
Forty-seventh.....	133.3	111.9	120.5	122.4
Forty-eighth.....	132.2	112.2	120.9	122.2
November:				
Forty-ninth.....	127.3	106.8	117.2	117.3
Fiftieth.....	115.5	105.7	112.1	111.0
Fifty-first.....	83.0	95.5	100.0	91.2
Fifty-second.....	46.7	82.2	81.1	68.1

TABLE 24.—Comparison of seasonal fluctuations in hours of employment in three groups of shops, December 1, 1924, to December 1, 1925, New York cloak and suit industry<sup>1</sup>

[Average for the year=100]

Month and week number	American	Industrial council	Independent	Total
December:				
First.....	56.5	77.7	71.1	68.2
Second.....	49.0	78.7	75.8	66.8
Third.....	45.4	85.0	74.9	67.8
Fourth.....	31.3	78.3	66.1	57.8
January:				
Fifth.....	36.2	71.8	56.7	55.1
Sixth.....	55.2	95.8	75.8	76.2
Seventh.....	74.3	99.3	84.5	86.8
Eighth.....	99.1	113.7	101.8	105.9
Ninth.....	126.0	120.4	109.4	122.9
February:				
Tenth.....	149.1	135.4	124.9	138.6
Eleventh.....	171.5	140.7	133.0	151.0
Twelfth.....	184.4	141.8	139.2	157.7
Thirteenth.....	194.3	149.3	154.1	167.6
March:				
Fourteenth.....	206.9	156.7	144.2	173.5
Fifteenth.....	214.8	157.1	147.3	177.4
Sixteenth.....	220.6	156.5	147.2	179.3
Seventeenth.....	223.6	159.7	150.2	182.4
April:				
Eighteenth.....	219.7	151.5	147.1	176.9
Nineteenth.....	164.6	122.9	124.0	139.2
Twentieth.....	105.2	95.3	92.7	98.6
Twenty-first.....	84.7	81.6	86.4	83.7

<sup>1</sup> Source: Governor's advisory commission, cloak, suit, and skirt industry, Employment and Earnings of Workers, 1925, p. 13.

TABLE 24.—Comparison of seasonal fluctuations in hours of employment in three groups of shops, December 1, 1924, to December 1, 1925, New York cloak and suit industry—Continued

[Average for the year=100]

Month and week number	Ameri- can	Indus- trial council	Inde- pendent	Total
May:				
Twenty-second.....	56.5	62.2	80.6	63.6
Twenty-third.....	45.1	53.4	75.8	54.6
Twenty-fourth.....	34.4	51.1	68.7	48.1
Twenty-fifth.....	28.3	49.6	61.9	43.8
Twenty-sixth.....	17.8	44.9	53.5	36.1
June:				
Twenty-seventh.....	13.6	39.4	51.7	31.9
Twenty-eighth.....	13.4	37.0	52.2	31.1
Twenty-ninth.....	18.0	42.6	53.7	35.3
Thirtieth.....	23.7	49.7	54.7	40.7
July:				
Thirty-first.....	24.7	51.6	62.2	43.3
Thirty-second.....	39.1	72.4	65.3	58.1
Thirty-third.....	58.5	89.2	78.6	74.9
Thirty-fourth.....	62.3	100.1	85.6	82.7
August:				
Thirty-fifth.....	78.8	105.8	91.7	92.6
Thirty-sixth.....	90.0	110.8	91.7	99.0
Thirty-seventh.....	101.4	113.6	107.1	107.8
Thirty-eighth.....	115.3	108.8	114.2	112.4
Thirty-ninth.....	119.7	110.9	112.6	114.6
September:				
Fortieth.....	127.0	104.3	112.5	114.7
Forty-first.....	118.3	103.0	112.2	110.7
Forty-second.....	96.4	105.5	119.7	104.8
Forty-third.....	111.9	115.5	119.1	114.8
October:				
Forty-fourth.....	108.5	103.7	107.7	106.3
Forty-fifth.....	141.4	125.9	131.6	133.0
Forty-sixth.....	156.6	130.6	136.8	141.8
Forty-seventh.....	168.4	137.5	144.4	150.7
Forty-eighth.....	169.3	132.8	144.3	149.1
November:				
Forty-ninth.....	151.9	121.5	134.6	135.8
Fiftieth.....	115.3	105.1	116.8	111.3
Fifth-first.....	55.3	78.0	84.3	70.5
Fifth-second.....	25.6	68.5	69.0	52.1

## PROVISIONS OF THE PLAN

The contract and the plan of administration follow in main outline the agreement and procedure in the Chicago men's clothing industry. Indeed, some of the sections of the New York documents were taken bodily from the Chicago agreement.

1. *Source of the fund.*—Employee contributions were to be deducted from the workers' pay by the employer and forwarded to the trustees, together with his own contribution, and both parties agreed to keep such records as might be necessary for the proper administration of the fund.

One outstanding difference between the Chicago and New York agreements was the pooling of the contributions of all firms and employees under the New York plan, as against the provision in Chicago for the segregation of the contributions of the larger firms and their employees in separate house funds.

2. *Board of trustees.*—Provision was made for a board of trustees equally representative of employers and employed with an impartial chairman, and it was stated that if the parties should be unable to agree upon a successor to the chairman, the appointment should be made by the governor's commission, or if it had ceased to exist, by the governor. Questions relating to the collective agreement could be brought to the governor's commission for hearing and decision. The trustees were directed to invest all funds except moneys required for current purposes, in obligations legal for trustee investments in the State of New York. All other funds were to be deposited at the discretion of the chairman in three specified New York banks, one of these being the union's bank, and such other clearing-house banks located in New York, or members of the Federal reserve system as might be designated by the trustees. In the event of termination of the agreement, the trustees were required to distribute the

amount remaining in the fund as unemployment benefits to the employees contributing at the time of termination.

3. *Handling of grievances.*—The chairman was directed to designate some person to pass upon disputes or grievances in connection with the payment or withholding payment of benefit, subject to appeal to the chairman.

4. *Summary of other terms of plan.*—

(a) Contributions: Employees, 1 per cent of earnings; employers, 2 per cent of pay roll.

(b) Seasons: Spring, February 1 to July 31 (changed to December 1 to May 31); fall, August 1 to January 31 (changed to June 1 to November 30). Operative date for beginning of payment of unemployment benefits, June 1, 1925. Operative date for beginning of computing unemployment time subject to benefits, February 1, 1925.

(c) Full-time period: 17 full weeks each season. Members working 17 full weeks are not entitled to benefits. Forty-four hours constitute a full week.

(d) Recognized dull period: 9 weeks each season. During this term workers are not entitled to benefits. This period of unemployment must be cumulated before the member is eligible for benefits.

(e) Benefit period: Maximum of 6 weeks each season. Members working 15 full weeks will be entitled to 2 weeks' benefit; those working 13 weeks, to 4 weeks' benefit, etc.

(f) Summary of items b, c, d, e:

Seasons	Full-time period	Benefit period	Recognized dull period
	Weeks	Weeks	Weeks
Spring, Feb. 1-July 31.....	17	6	9
Fall, Aug. 1-Jan. 31.....	17	6	9
Total.....	34	12	18

(g) Eligibility for benefits: Workers are eligible who have been (1) members of the union for one year, (2) employed in the New York market for one year, (3) registered at the registration office and have reported regularly during unemployment at period to be agreed upon, (4) Registered when unemployed for one full week and not appearing on the firm's pay roll for the week.

(h) Benefits: (1) Amount—\$10 a week, \$120 a year maximum; (2) duration—maximum of 12 weeks during the year, 6 weeks in fall season, 6 weeks during the spring season; (3) Waiting period—the worker must accumulate full period of unemployment in each season before he is eligible for benefits.

(i) Short-time employment: Unemployment shall be cumulative. A member working part time shall be credited with the difference between the number of hours he works and the number of working hours in the week; e. g., in a 36-hour week (that is, a week in which a holiday occurred), a member working only 3 days (24 hours) will be credited with 12 hours of unemployment. Any worker having overtime and lost time occurring in the same week shall have the overtime considered as a deduction from the total unemployment shown for the week to find the net unemployment subject to benefits.

## ADMINISTRATION

1. *Collection of contributions.*—The office of the trustees was opened in the summer of 1924, but it was some time before the work of administration got under way. Contributions started with the pay-roll week beginning on or immediately following August 4, 1924, and payment of benefits on June 1, 1925. Each firm was required to send the insurance office a weekly pay-roll report without the option of loaning the actual pay roll as in the Chicago men's clothing scheme, but the trustees had considerable difficulty in their endeavor to make prompt collection of contributions, particularly among the smaller concerns. Among the submanufacturers in particular, pay-roll procedure was so poor that in many cases they were unable to furnish the necessary data. This lack of information greatly handicapped the insurance office in the payment of benefits, especially in the absence of a central employment office.

In the summer of 1925 a number of changes were made in the administrative procedure. The work of the office was divided between two departments—

one concerned with the collection of contributions and reports and the other with registration of unemployed workers and payment of benefits.

The plan provided that the submanufacturers should be reimbursed for their contributions by the jobbers for whom they worked, and this gave rise to frequent disputes. On August 1, 1924, the commission, at the request of the submanufacturers to indicate the manner of payment of the 2 per cent contribution, ruled that—

"The payments into the fund shall be made directly by the submanufacturer at the rate of 2 per cent of their labor pay roll. For this the jobbers shall compensate the submanufacturers by paying their one-half of 1 per cent of the amount of each bill which is equivalent to approximately 2 per cent in the labor cost which, for temporary purposes and until further investigation, the commission recommends to be fixed at 25 per cent of the bona-fide price of the garments to the jobbers. This amount shall be included as a separate item of the bill for the garments in addition to the contract price. This is in no way to be considered as a finding by the commission as to the nature of the relations between the jobbers, the submanufacturers, and of the workers. The commission reserves to itself the right to change or modify this ruling on due notice at any time for good cause shown."

In pursuance of this ruling, the following schedule covering reimbursement of submanufacturers by jobbers went into effect August 11, 1924, and continued until August 14, 1925:

- 5 cents on garments up to \$12.50.
- 10 cents on garments from \$12.51 to \$25.
- 15 cents on garments from \$25.01 to \$45.
- 20 cents on garments over \$45.

In a list of supplementary recommendations issued July 10, 1925, the commission stated that the system of indirect payment by the jobbers was unsatisfactory: "It causes unnecessary friction between the jobbers and the submanufacturers; its effects are uneven, and it is not productive of the best results for safeguarding the insurance fund." The commission recommended that the jobbers should make direct payments into the fund under rules to be set up by the trustees.<sup>44</sup> They indicated that investigation had shown that the periods of employment were on the average much shorter under the jobber-submanufacturer system than in the inside shops, with correspondingly heavier demands upon the compensation fund, and it was recommended that the compensation items to be paid by the jobbers should be increased by 50 per cent. Accordingly, the following schedule was adopted for the billing of jobbers by submanufacturers as shown by reports from the submanufacturers:

- Four cents on garments up to \$6.75.
- Seven cents on garments from \$6.76 to \$12.75.
- Ten cents on garments from \$12.76 to \$16.75.
- Twelve cents on garments from \$16.76 to \$22.75.
- Fifteen cents on garments from \$22.76 to \$37.75.
- Twenty cents on garments from \$37.76 to \$49.75.
- Twenty-five cents on garments over \$49.75.

This schedule was in force from August 14, 1925, until the suspension of the plan after the disastrous strike, which began in July, 1926, and was not finally settled until January, 1927. No insurance contributions were made for the period of the strike, and no benefits were paid except that the checks for the spring season of 1927 were distributed during the course of the dispute.

But this plan of collecting contributions from the jobber was found impracticable, and it was alleged that the jobbers arranged with the submanufacturers that in billing them for the garments the amount of the compensation contribution should be deducted. In their final recommendations the commission stated:

"While there seemed to be logic in asking the jobbers to discharge directly their obligations to the fund, this change in the method of collection has not worked well. This is shown by the fact that since the change was made and down to the present time jobbers have in the aggregate contributed a considerably less sum to the fund than have the inside manufacturers, though the volume of their business is much greater.

"While in theory the present method of collection may be fairer to the submanufacturers, it must be borne in mind that the fund exists for the benefit

<sup>44</sup> Dickinson and Kolchin, Report of an Investigation, etc., op. cit., p. 163.

<sup>45</sup> Governor's advisory commission, Supplementary Recommendations, op. cit., p. 4.

of the workers. The commission recommends that in the future submanufacturers should make insurance payments directly into the fund, and at the same rates as are now collected from inside manufacturers, and that the submanufacturers in turn shall bill the jobbers separately at the rates in effect a year ago."<sup>46</sup>

Tardiness of some employers in forwarding contributions and pay-roll reports emphasized the importance of careful drafting of the legal phase of the agreement. It was not clear what party should initiate legal action to enforce payment of contributions and in the few cases brought in the municipal court of New York, the trustees, the different employers' associations, and the union were variously named as complainants. It was argued in defense that the agreement had been completed with the association and not with the individual firm and that therefore it could not be sued; that the trustees had no capacity to sue; and that they were carrying on an insurance business without license from the State of New York. All of these cases were decided in favor of the fund, one decision being sustained on appeal to the State supreme court.

2. *Payment of benefits.*—Division of the insurance year into the two seasons, February to July, and August to January, proved unsatisfactory for these periods ended when the shops were still busy and checks were distributed at times of full employment. The seasons were therefore fixed as from December 1 to May 31 and June 1 to November 30, and in adjusting them to the new basis the fall season of 1925 was shortened by 2 weeks; that is, to 17 weeks, 10 weeks of full employment and 7 weeks of unemployment as against 17 and 9 weeks, respectively, for the regular season. This change reduced the total benefits for the season ended November 30, 1925, to about \$200,000 and allowed some reserve to accumulate. This relief was much needed for in the period February 1 to July 31, 1925, contributions amounted to \$707,763 and benefits to \$1,062,360.

Benefit checks were not distributed through the business agents of the union as under the Chicago regulations but through the machinery of the trustees' office. A registry office was established for this purpose and employees were required to report for their benefits. At first an effort was made to pay benefits weekly, but this proved impracticable. Great crowds of workers came to register each week; there were riots, and the police had to be called to keep order. Not only was the frequent preparation of checks expensive, but in weeks of good employment benefits were so small that they meant little to the employees. On this account a change was made in 1925. Thereafter one check was issued to the worker at the end of the period in the time of greatest unemployment, after the Chicago practice. This lump-sum method proved a marked improvement; the larger check, sufficient to meet a rent or coal bill, was appreciated. It made the benefit seem much less in the nature of a dole and relieved the worker from the necessity of calling at the office for several successive weeks. At the same time a considerable reduction in administrative expense was effected. It was required that complete reports from the shop should be on hand before the payment of benefit and payment on the assumption basis was entirely discontinued. In order to secure the shop statements more regularly, a corps of inspectors was organized to visit the delinquent firms and prepare the reports.

Congestion at the registry office was overcome by distributing benefits in the shops through paymasters employed by the insurance office. Workers unattached to any firm were called to the registry office by their union local and ledger numbers to receive their checks and a particular day of the week was assigned to each union for registration. But as the office had no part in the allocation of jobs and workers in the market, it could do nothing to reduce the loss of time between jobs nor could it furnish any test of malingering. It was decided that benefits for the workers more or less continuously employed should be delivered to them in their places of employment and that all the employees of the shop should receive their checks at the same time. This method was designed to insure a degree of uniformity in the payments in the shop and so reduce the number of complaints based on the contention that while all shared equally in the employment of the factory, they received varying amounts of benefit.

The practice of making payments in the presence of the shop chairman or business agent was also adopted and this facilitated the settlement of complaints on the spot. It was arranged that complaints not settled in the shop

<sup>46</sup> Governor's advisory commission, Final recommendations, op. cit., p. 9.

at the time of payment should be forwarded to the office by mail or through the shop chairman or business agent. This gave the office much more time for the individual complaints of workers not employed by any firm, and it was provided that complaints should be heard only in the two weeks immediately following receipt of benefit.

3. *Grievances.*—During the first season's payment of benefit, more than 25,000 workers registered complaints either individually or through their shop chairmen. In round figures about 8,000 complaints were made by individual employees and about 17,000 were shop complaints from over 1,200 shops. According to the committee on union labor life insurance, labor banking and unemployment insurance of the eighteenth convention of the International Ladies' Garment Workers' Union, in 1925, the evident dissatisfaction of the employees was due to a number of causes:

"(a) The number of registrants proved to be unexpectedly large and the workers had to wait in line; (b) the system of issuing benefit checks to each worker separately brought all the workers to the payment office; (c) the payment of benefit checks weekly, which meant that a worker had to appear in the office of the fund several times; (d) the weekly payment of \$10 did not enable the unemployed worker to satisfy his major needs, such as the payment of rent; (e) occasional waiting until the records of the worker were obtained through the shop reports which were missing at the time when the payments were begun."

4. *Lack of employment office.*—Despite the heavy volume of unemployment and labor turnover, there had been no effort to organize the labor market as in the Chicago men's clothing industry. There was no provision in the trade agreement between the two parties requiring the employers to secure their workers from the union, and although in practice a considerable proportion of the workers were secured from the union headquarters, no well organized employment office procedure had been adopted. The trustees were without the advantage of a central employment exchange to receive all requisitions for help and applications for employment and to advise them as to whether workers applying for benefit had actually registered for jobs or had refused suitable employment.

5. *Extent of overpayment.*—Since for some months after the initiation of the plan it was impossible to compile accurate records of the time lost by many of the employees, a substantial overpayment of benefits resulted. Officials of the fund estimated that there had been an overpayment of between \$150,000 and \$200,000 out of a total disbursement of \$1,142,360 from February 1 to July 31, 1925, to workers who were not entitled to benefit or to others who received more than they should have been granted under the rules.

#### SUMMARY OF EXPERIENCE

1. *Bureau of research.*—When the administration of the plan got under way, it yielded an important body of statistical data on employment and wage conditions in the industry. When the governor's commission made their first study of these subjects<sup>17</sup> they employed field workers who "sampled" pay rolls of manufacturers and submanufacturers, but the commission's later and more comprehensive reports<sup>18</sup> were compiled directly from the statistical information available in the office of the unemployment compensation fund and, as the commission stated, the problems of the industry "were explored by impartial investigators to a much greater degree than in most industrial inquiries."<sup>19</sup> These studies were conducted by a bureau of research established in the summer of 1925 as suggested by the commission. The commission recommended: "That a bureau of research be established under joint auspices and that it will be partly financed by contributions from independent manufacturers, submanufacturers and jobbers as well as by contributions from the parties to the collective agreements and from the unemployment insurance fund. This bureau would make such statistical studies and fact finding investigations as may be determined from time to time."<sup>20</sup>

<sup>17</sup> Proceedings of the Eighteenth Convention of the International Ladies' Garment Workers' Union, p. 177.

<sup>18</sup> Dickinson and Kolchin, Report of an Investigation, etc. op. cit., pp. 57-93.

<sup>19</sup> Kolchin, Wages and Wage Scales, 1925 and Employment and Earnings of Workers, 1925, op. cit.

<sup>20</sup> Governor's Advisory Commission, Final Recommendations, op. cit., p. 13.

<sup>21</sup> Ibid., Supplementary Recommendations, op. cit., p. 2.

The work of the bureau of research evidently met with the approval of the commissioners for, in their final report they recommended:

"That the bureau of research be continued; that it be an adjunct to the unemployment insurance fund, and that it be financed in part by contributions from independent manufacturers, submanufacturers and jobbers, graduated according to the amount of business that they do, the size of the contributions to be determined by the impartial chairman."

The suggestion that the bureau of research should be an adjunct to the fund seems to indicate the commission's judgment that the bureau would derive most of its data from the operation of the unemployment compensation scheme.

2. *Payment of benefits.*—Tables 25 and 26 show the benefits paid for the fall season of 1925 and the spring season of 1926, classified by employers' associations, amount of payments, and union locals. Most of the benefits were distributed to employees at the shops, but workers registered at the distribution office as totally unemployed or working at odd jobs, or from shops that had gone out of business during the season, were paid at the office.

TABLE 25.—Benefit payments—fall season 1925

Shops investigated.....	1,334	Workers investigated.....	\$2,000
Shops paid.....	1,059	Workers paid.....	8,660
Shops ineligible.....	275	Average amount per worker.....	\$23.86
Shops incomplete.....	145		

#### PAYMENTS BY ASSOCIATION

Association	Shops	Workers	Per cent	Amount	Per cent	Average
American.....	658	4,058	46.8	\$97,600	47.4	\$24.05
Independent.....	298	2,018	23.3	53,590	26.0	26.56
Protective.....	103	561	6.5	11,650	5.6	20.77
Total.....	1,059	6,637		162,840		24.53
Add registrants.....		2,029	23.4	43,390	21.0	21.39
Total.....		8,666	100.0	206,230	100.0	23.80

#### PAYMENTS BY AMOUNT OF CHECKS

Amount of check	Number	Per cent	Amount	Amount of check	Number	Per cent	Amount
\$10.....	1,894	21.9	\$18,940	\$60.....	2		120
\$20.....	3,600	41.5	72,000	\$80.....	1		80
\$30.....	1,170	13.5	35,100	Total.....	8,666	100.0	206,230
\$40.....	1,996	23.1	79,840				
\$50.....	3		150				

#### AMOUNTS BY LOCALS

Local	Number workers	Per cent	Amount	Per cent	Average
2.....	3,068	35.3	\$79,130	38.4	\$25.79
3.....	75	.9	1,840	.9	24.53
9.....	1,383	16.0	25,650	12.5	18.55
10.....	373	4.3	8,880	4.3	23.81
23.....	306	3.6	8,220	4.0	26.89
35.....	1,297	15.0	30,660	14.9	23.67
48.....	1,945	22.5	46,650	22.5	23.96
82.....	48	.5	1,060	.5	22.71
Miscellaneous.....	171	1.9	4,060	2.0	23.86
Total.....	8,666	100.0	206,230	100.0	23.80

<sup>21</sup> Governor's Advisory Commission, Final Recommendations, op. cit., p. 12.

<sup>22</sup> American, 127; independent, 74; protective, 74.

<sup>23</sup> Approximate. Includes 2,831 registrants, 2,421 complainants.

TABLE 26.—Benefit payments—spring season 1926

Shops investigated.....	1,388	Workers investigated.....	31,216
Shops paid.....	1,317	Workers paid.....	17,637
Shops ineligible.....	* 71	Average amount per worker.....	\$37.12
Shops still open.....	31		

## PAYMENTS BY ASSOCIATION

Association	Shops	Workers	Per cent	Amount	Per cent	Average
American.....	780	10,797	61.2	\$416,790	63.6	\$38.60
Independent.....	379	3,995	22.6	150,450	23.0	37.61
Protective.....	158	2,562	14.5	78,800	12.0	30.78
Total.....	1,317	17,354		646,040		37.23
Add registrants.....		283	1.7	8,700	1.4	30.74
Total.....		17,637		654,740	100.0	37.12

## PAYMENTS BY AMOUNT OF CHECKS

Amount of check	Number	Per cent	Amount	Amount of check	Number	Per cent	Amount
\$10.....	1,875	10.6	\$18,750	\$50.....	1,579	9.0	78,950
\$20.....	2,002	11.3	40,040	\$60.....	4,433	25.1	265,980
\$30.....	5,890	33.5	176,700				
\$40.....	1,858	10.5	74,320	Total.....	17,637	100.0	654,740

## AMOUNTS BY LOCALS

Local	Number workers	Per cent	Amount	Per cent	Average
2.....	6,621	37.7	\$253,490	38.7	\$38.28
9.....	3,148	17.7	112,180	17.1	35.61
10.....	934	5.2	34,670	5.3	37.12
35.....	2,534	14.3	85,920	13.1	33.95
48.....	3,408	19.8	127,400	19.5	37.36
3.....	154	.8	4,760	.7	30.91
23.....	395	2.1	15,430	2.4	39.06
82.....	133	.7	4,760	.7	35.79
Miscellaneous.....	310	1.7	12,180	1.9	39.23
Permits.....			3,970	.6	
Total.....	17,637	100.0	654,740	100.0	37.12

The following table summarizes the operation of the plan since its inception:

Period	Contributions	Benefits	Number of beneficiaries
Aug. 4, 1924, to Jan. 31, 1925.....	\$500,000	None.	None.
Feb. 1, 1925, to July 31, 1925.....	\$700,000	\$1,062,300	28,934
Aug. 1, 1925, to Nov. 30, 1925 <sup>1</sup> .....	500,000	200,203	8,446
Dec. 1, 1925, to May 31, 1926.....	750,000	654,740	17,637
June 1, 1926, to Nov. 30, 1926.....	200,000	( <sup>2</sup> )	( <sup>3</sup> )
Total.....	2,650,000	1,923,303	55,237

<sup>1</sup> Short season to permit change to new seasonal basis of December to May and June to November

<sup>2</sup> Approximately.

<sup>3</sup> None; strike.

\* American, 18; independent, 36; protective, 17.

\* Includes 901 registrants; 5,333 complainants.

3. *Effect of the 1926 strike.*—Obviously, the conditions surrounding the scheme were not at all favorable. From the first the trustees were confronted with a highly irregular industry of small shops with a history of increasing instability and finally with the disintegration effected by the prolonged dispute in the industry.

This dispute was not without effect upon the unemployment compensation scheme. The right wing of the International Ladies' Garment Workers' Union was in control of that organization when the compensation fund was inaugurated, and they enforced the agreement upon the employers much better than the left-wing administration which came into control early in 1926. The left wing had opposed any such scheme of class collaboration on doctrinaire grounds, and they argued that if it were adopted at all the employers should make the entire contribution. After the strike began under the left wing régime, the distribution of about \$650,000 in unemployment benefits due for the six months ended May 31, 1926, afforded some relief to the workers and the union administration was visibly impressed. As the strike continued, however, a considerable number of firms broke away from the employers' associations and made settlements with the union. Some of these agreements with independent employers were effected months before the dispute was finally settled, and in all that time no compensation contributions were collected from these firms or their employees. This omission brought trouble later, for after agreements were finally concluded with the employers' organizations the association firms insisted that the contributions due from the "independents" should be collected before they should be required to resume payments.

The strike in the shops of members of the industrial council ended on November 13, 1926. The agreement with these inside manufacturers signed on that date provided for the continuance of the compensation scheme and stipulated that:

"The union obligates itself to enter into no contract, oral, or in writing, expressed or implied, directly or indirectly, by reason whereof any person, firm, or corporation engaged in the cloak, suit, or skirt industry in the metropolitan district, shall receive any benefit or aid not accorded the members of this council, pursuant to the terms of this agreement."<sup>12</sup>

Despite this, the agreement concluded January 11, 1927, made no provision for unemployment compensation. For this reason, Samuel Klein, manager of the industrial council, immediately declared opposition to the scheme and a verbal controversy between him and Mr. Sigman, president of the union, followed in "Women's Wear." Mr. Klein urged that a moratorium should be declared on the whole plan.

The union expressed a different view. Strife between the right and left elements in their efforts to gain control of the organization characterized the dispute. At its close neither faction had achieved a decisive victory, and with the resumption of work, guerilla warfare between members of the two groups continued in some of the shops. Employers took advantage of the disturbed condition to ignore their responsibilities under the employment-compensation agreement and tried openly to arouse hostility to the scheme among the employees. The workers in the larger inside shops with the most regular employment had evidenced some discontent over their lesser participation in benefits and employers were endeavoring to fan this into disapproval of the scheme. Not only were contributions disregarded, but employers were openly advocating that there should be official agreement to the discontinuance of contributions for some time. The union held that the employers proposed this as a first step in dispensing with contributions entirely, and that indirectly they were trying to sabotage the whole unemployment-compensation plan. On March 24, 1926, the parties formally agreed to the suspension of the plan until July 1, 1928.

4. *Opinions concerning plan.*—The chaotic situation that has obtained in the industry almost since the inauguration of the scheme has not permitted it a fair trial. Unemployment compensation has not been a major consideration in the industrial scheme of either party to the agreement, and in the process of bargaining it had to give way to issues considered more fundamental. The union conceived and promoted the plan, but defeat in the strike and wasting factional strife left the organization too weak to enforce collection of contributions or to insist on continuance of the plan in the face of the manufacturers' demand for

<sup>12</sup> Section 16 of agreement between Industrial Council of Cloak, Suit, and Skirt Manufacturers and International Ladies' Garment Workers' Union, Nov. 13, 1926.

its suspension. They were so busy trying to preserve and reconstruct their organization that they could give only the most cursory attention to such a relatively unimportant matter as unemployment compensation.

In these circumstances it is impossible to make any serious effort at an evaluation of the scheme. The governor's commission in their final report referred to the establishment of the plan as "a great achievement" and expressed the hope that the fund might "increase in resources and that as time goes on more liberal payments may be made to unemployed workers." They realized that the administration had been hampered by the lack of an employment office and recommended:

"We recommend the establishment of an employment office under the direction of the trustees of the unemployment insurance fund. Placements and replacements should be made through this employment office.

"In an industry with distressing periods of unemployment it is particularly desirable that adequate machinery shall be set up to equalize the opportunities of workers and to act as a clearing house for placements and replacements. Such an office, in the opinion of the commission, would be a benefit to employers and workers alike, and could do much to reduce some of the harmful effects of the present periods of idleness."

The industrial council insisted that they were the only group of employers who fully met their contributions and other obligations under the agreement, that the jobbers had evaded their responsibilities from the first, that the independent manufacturers were almost as lax as the jobbers, and that both the employers and the workers in the inside shops objected to the plan of pooling all contributions which really resulted in a subsidy for the jobber-sub-manufacturer system from the inside shops which it was undermining. They blamed the union for not enforcing observance of the rules equally upon all elements in the market, and they also stated that union officials managed to get their henchmen and gangsters on the benefit roll and so sabotaged their own scheme from the first. Mr. Klein, manager of the industrial council, said the members of the council would have less objection to a shop-fund administration, such as obtained under the Cleveland ladies' garment and Chicago men's clothing schemes, but he felt certain that they would never agree to the readoption of unemployment compensation under a week-work régime. They did not oppose the principle of unemployment compensation, but they could not accept it as it had worked out in practice.

Officially the union favored the plan. The officers' report at the eighteenth convention held in November, 1925, included the following statement:

"In summing up the review of the functioning of the unemployment fund in the first year of its activity, the general executive board desires to point out that, while this fund has encountered some very serious difficulties in its experimental stage, some of them unavoidable, and that it may yet face some of the obstacles that it will strive to overcome, the unemployment insurance idea has on the whole been adopted by the industry and the fund will continue to grow and become from year to year and from season to season a more and more stabilized institution in all our trades. Our industry must be prepared to ameliorate in any way possible the horrors of unemployment which afflict it. Unemployment insurance is a constructive step in this direction, and the fund, after it has passed its initial periods and has learned to profit from its past mistakes, will become increasingly more useful and valuable to our workers and to all the other factors who are directly concerned in it."

The committee dealing with the subject at the same convention recognized that there had been dissatisfaction with the scheme, but hoped that changes in the administrative procedure would make it more acceptable to the rank and file of the union. The committee stated:

"The changes in the rules and regulations that have been made will do away with most of the confusion in the fund and the dissatisfaction of the workers. And while it is expected that during the next payment there still may be some difficulties, they will not be as many and as large as they were last season. Your committee realizes that unemployment insurance is a new venture and that it could not be run with the highest degree of efficiency from its inception. Your committee also realizes that in a difficult market, such as

<sup>74</sup> Governor's advisory commission, *Final Recommendations*, op. cit., p. 9.

<sup>75</sup> *Ibid.*, pp. 9-10.

<sup>76</sup> Report and Proceedings of the Eighteenth Convention of the International Ladies' Garment Workers' Union, pp. 142-143.

New York, with so many shops and with employers that do not always keep records, the operation of the office of the fund is a difficult task."

Despite the administrative difficulties, criticism voiced at the convention was concerned with the principles rather than the administration of the plan. The following motion was introduced by the left wing group:

"Whereas, The ladies garment industry is a seasonal industry, and as a result a large number of our members are at all times subject to unemployment, which tends to undermine the standards gained through bitter struggles; and

"Whereas, This seasonal industry yields sufficient profits to the employers and provides them with abundant luxuries for the entire year; and

"Whereas, The present form of the unemployment insurance fund to which the workers have to contribute 1 per cent of their meager earnings is contrary to the principle that an industry shall be responsible for the maintenance of the workers during periods of unemployment: Therefore be it

"Resolved, That the eighteenth biennial convention of our international instructs the incoming general executive board to make every effort toward so modifying the insurance plan, so that the employers shall be the sole contributors and that the fund shall be administered by the union."

The committee was evidently impressed by the point of view expressed in the motion for they stated in their recommendation:

"Your committee, in reviewing the operation of the unemployment-insurance fund in New York in the first year of its activity is of the opinion that, notwithstanding the difficulties encountered, unemployment insurance is, and will be of benefit to our members and to our organization. Our members must be compensated for the time that they are unemployed through no fault of their own. We fully realize that the benefit for unemployment as paid in New York is insufficient to compensate the employed workers for the loss of work. But, we also realize that the amount of benefit can be increased in time. Indorsing full heartedly the principle of unemployment insurance, and realizing the beneficial effect it will have upon our members and upon our organization, we recommend that our general officers use every effort to introduce the system of unemployment insurance in all markets and in all branches of our industry. We also recommend that the general officers use every effort to increase the unemployment benefits to our members through the increase of payments into the fund by the employer. We are of the opinion that the responsibility for unemployment must be fastened on the employers who employ our members, and that the unemployment-insurance fund must be operated and controlled by our organization. We are also of the opinion that the unemployment-insurance office, where the unemployed workers register, can be successfully utilized for the creation of a labor bureau through which the employers shall be obliged to employ union members only."

The union business agents are elected annually. In the Chicago men's clothing scheme the practice has been to turn over the benefit checks to the business agents for delivery to the workers, and this gives them a certain prestige which they consider of political value. But they were denied this advantage in New York, where benefits were distributed by paymasters of the trustees. If a business agent enforced collection of contributions upon a delinquent shop, he saw no reward and, on the other hand, he had to listen to complaints from workers dissatisfied with the amount of their benefit checks. This probably accounted for the somewhat apathetic attitude of certain union officials.

Morris Sigman, president of the union, gave the unemployment-compensation plan his best support. He was certain that the rank and file of the workers favored it, and he pointed to the fact that before the strike some employers suggested that the funds be set aside to compensate employees for time lost through sickness, as evidence of their satisfaction with the scheme.

Whether or not the plan will ever function again is problematical. By July 1, 1928, the employers will have had a year and a half without contributions involving a saving of a million dollars or more. On the other hand, the employees will have lived through two slack seasons without benefits after having enjoyed them in the past. They will realize that a balance of \$400,000 remains in the fund, and they may demand the revival of the scheme. If the trustees

<sup>77</sup> Report of the Proceedings of the Eighteenth Convention of the International Ladies' Garment Workers' Union, p. 177.

<sup>78</sup> Proceedings, op. cit., p. 81.

<sup>79</sup> *Ibid.*, p. 178.

of the fund adhere to their view that the balance can not be used for any other purpose than unemployment benefits, whether proposed by the employers or the union or both, it would seem that the union will sooner or later demand some procedure by which its members may have access to this amount. The demand for resumption of the plan must come from the union, and it remains to be seen whether it can settle its internal differences and acquire sufficient strength to enforce such a demand if made. Even in case the union is united again, it may emphasize other issues which it considers of more importance and may be willing to use the revival of unemployment compensation as a trading point. It seems probable, however, that if the plan should ever be brought into operation again, there will be some departure from the pool-fund principle in the direction of separate funds for each branch of the industry or a fund for each firm or a combination of the two, as in the Chicago scheme.

#### DRESS INDUSTRY, NEW YORK CITY (ABANDONED)

##### BACKGROUND

After the International Ladies' Garment Workers' Union had completed an unemployment-compensation agreement with employers in the cloak and suit industry of New York in 1924, they turned attention to the dress trade. The renewal of the trade agreement in the dress industry in February, 1925, afforded an opportunity to demand the establishment of an unemployment compensation fund. There were two employers' associations in the market—the Association of Dress Manufacturers (Inc.), the Contractors' Association, and the Wholesale Dress Manufacturers' Association (Inc.), an organization of jobbers. In addition, there were a number of nonassociation firms. Agreements on unemployment compensation were completed with both associations and with all of the independent concerns. The number of employees of the industry at the time probably totaled between 25,000 and 30,000 and of these approximately 18,000 were members of the dress locals of the International Ladies' Garment Workers' Union. There were a few inside shops in the trade, but the majority were operated on the jobber-contractor plan and the problem of administration was even more difficult than in the cloak, skirt, and suit branch of the garment industry.

##### PROVISIONS OF THE PLAN

On January 1, 1925, an agreement was completed between the Wholesale Dress Manufacturers' Association (Inc.) (jobbers) and the union which made the following provision for unemployment compensation:

"The association shall cooperate with the union in establishing and maintaining an unemployment-insurance fund for the benefit of the members of the union. The fund shall be made up by contributions from the manufacturers and jobbers (but not from contractors and submanufacturers) and the members of the union; the contribution of the employers to the unemployment-insurance fund shall be equal to 2 per cent of the pay roll or labor cost and that of the workers, to 1 per cent of their weekly wages. The fund shall be administered by a board of trustees, on which board the parties hereto shall be represented. By agreement of both parties, the unemployment insurance board established in the cloak and suit industry of New York shall be designated as such board in the dress industry, provided that the fund for the said industry shall be separately administered and provided further, that the association shall be given adequate representation on the said board. Members of the association shall pay their unemployment insurance contributions directly to the unemployment insurance board and shall not charge such payments to submanufacturers or contractors directly or indirectly. Time lost by reason of strikes shall not be included in the computation of the periods of unemployment."

The agreement between the Association of Dress Manufacturers (Inc.) (contractors), and the joint board of the cloak, skirt, dress and reefer makers' unions of the International Ladies' Garment Workers' Union, dated February 24, 1925, contained the following provision on unemployment compensation:

"The association shall cooperate with the union in establishing and maintaining an unemployment insurance fund for the members of the union. Members of the association who sell garments to the trade shall contribute to the said fund 2 per cent of the wages or labor cost of the garments so sold by them. All members of the association, whether they sell to the trade or work

exclusively for jobbers, shall deduct from the wages of their workers 1 per cent thereof on every pay day as the contribution of such workers to the said unemployment insurance fund. The fund shall be administered by a board of trustees, and if the union so desires, the unemployment insurance board established in the cloak and suit industry of New York shall be designated as such board. Members of the association shall pay their unemployment insurance contributions and the contributions of the workers employed by them to the unemployment insurance board each and every week on their pay day. The association hereby guarantees the performance of the provisions of this clause by their members."

##### ADMINISTRATION

Under the provisions of the plan, the contractors and submanufacturers as such made no contributions to the fund, this being left to the jobbers, but they deducted and forwarded the 1 per cent contribution of their employees. Those who acted as manufacturers as well as contractors or submanufacturers and sold garments to the trade contributed 2 per cent of the labor cost of the garments sold, as was required of the inside manufacturers. The jobbers also agreed to contribute 2 per cent of the labor cost, but they employed no labor directly and there was no provision as to the method of payment in the agreement.

A few months after the initiation of this scheme the union and the jobbers agreed on a schedule of payments for the jobbers. It was established not on the volume of work done by the submanufacturer for the jobber but on the basis of the jobber's sales to his customers and so had no direct relation to the labor cost of the garments. This was in striking contrast to the procedure in the cloak and suit branch of the trade. There, when an effort was made to secure direct contributions from the jobbers, the payments were based on the prices the submanufacturer charged the jobber for garments made up and delivered to him and so had a basis in labor costs. This somewhat extraordinary arrangement is explained in some quarters as union strategy, the union officials thinking that in this way the fund would derive 2 per cent of the jobbers' sales of goods made in nonunion shops.

This plan involved costly examination of the jobbers' sales books. It is stated that an expenditure of \$13,000 by the trustees for the examination of books produced only \$23,000 in contributions, although it was indicated that approximately \$200,000 was due the fund. Some twenty-five or thirty jobbing concerns by one method or another succeeded entirely in evading examination. Such a small proportion of the employers' contributions were collected with the scheme began to take on the appearance of a union benefit plan with the employees alone contributing, and the workers soon lost much of their early enthusiasm.

The jobbers were required to pay the following contributions on garments shipped:

<i>Selling price per garment</i>	<i>Payment (cents)</i>
Up to \$6.75.....	1½
From \$6.75 up to \$10.75.....	2½
From \$10.75 up to \$13.75.....	2½
From \$13.75 up to \$16.75.....	3½
From \$16.75 up to \$22.75.....	4½
From \$22.75 up to \$25.75.....	6
From \$25.75 up to \$30.....	8
From \$30.01 up to \$37.....	10

At the time of the inception of the plan, the right wing faction was in control of the union administration, but during the summer a struggle for control broke out between the two factions and by November the left wing held the reins of power. No doubt they made serious efforts to collect employers' contributions and to enforce the work of the unemployment compensation office in this direction, but both agencies were seriously handicapped by the limitations involved in the complex nature of the industry. From February, 1925, when contributions began, until April, 1926, when they were discontinued, the employers contributed about \$50,000, while the contributions of the employees amounted to approximately \$130,000. No benefits were paid.

## CESSATION OF PLAN

In April, 1926, the union directed its members to cease contributing until the jobbers should forward the contributions they owed the fund, and here the administration came to an impasse. The right wing faction of the union asserted that the left administration was opposed to the plan as a form of class collaboration and wanted it discontinued. No further serious efforts at collection were made although the jobber employers officially were willing to agree to any proposal, even to the prosecution of the delinquent employers; the union moved for the dissolution of the scheme in June, 1926. It was arranged that the contributions of the two parties should be refunded to them, although the union argued that all moneys in the fund should be distributed to the workers. This move on the union's part has been interpreted as an indication of their desire to secure the fund for use in the strike in the cloak, skirt and suit branch of the industry. Indeed, shortly afterward, one of the most important locals in the dress division of the trade passed a resolution that all contributions refunded to the workers should be used to meet the strike assessment. The union officials made an effort to have the amount turned over to the union, but the trustees insisted that the compensation office should certify all of the payments, and each worker was notified by the office as to what amount was due him and that he could call and secure it. The opinion is freely expressed that most of the amount distributed to the workers ultimately went to the strike committee.

## AGREEMENTS OF 1927

A new agreement, completed in February, 1927, between the union and the contractors, the Association of Dress Manufacturers (Inc.) made provision for the revival of the plan if agreement should be reached on the subject. The agreement stated:

"In view of the seasonal character of our industry, both parties agree in principle upon the soundness and advisability of unemployment insurance when created under equitable and proper conditions, and such unemployment insurance may be reestablished during the period of this agreement by a written supplementary agreement to be signed and executed by both the union and the association upon such terms and conditions as may be mutually agreed upon by both parties."

The union apparently considered it a "victory" to have retained even the principle of unemployment compensation in the agreement.<sup>80</sup> An agreement with the jobbers entered into about the same time made no mention of the subject.

## MEN'S CLOTHING INDUSTRY

The men's clothing industry of Chicago established in 1923 the second plan of unemployment compensation adopted by joint agreement and the first of its kind in the United States.

While Chicago is second to New York as a center of the industry, it is the more stable market and both employers and employees are better organized. A large proportion of the output is manufactured in larger shops than in New York and there is much less farming out of work to contractors. Some of the larger units in Chicago had already attempted by national advertising and by sending salesmen out in advance of the regular buying periods to lengthen their production seasons. There was a better basis of cooperation between employers and employees than in New York and, in general, Chicago offered more favorable conditions for an experiment in unemployment compensation.

The selection of Chicago has been justified by experience. In the prolonged struggle between the right and left factions among the workers in all the garment trades which began in New York about two years after the Chicago scheme was adopted it was found impossible to extend the Chicago plan to the men's clothing industry of New York. The proposed plan for the New York fur industry had to be abandoned, the attempt to establish unemployment compensation in the New York dress industry proved abortive, and the ambitious

<sup>80</sup> Women's Wear Daily, Feb. 16, 1927, p. 24.

<sup>81</sup> News Record, Feb. 4, 1927.

scheme of the ladies' cloak and suit industry of New York was suspended after a prolonged strike about two years after its adoption. Chicago was affected by this factional strife in a much lesser degree, and although the provisions of the Chicago plan were changed to meet conditions consequent upon the continued deflation in the industry, it remains in a healthy condition.

## MEN'S CLOTHING INDUSTRY, CHICAGO, ILL.

## BACKGROUND

1. *The industry—a. Branches of the industry.*—The Chicago men's clothing market has two main branches, the so-called wholesale clothier or ready-made firms which manufacture suits in quantities to orders taken well in advance of delivery, and the retailer tailoring or special-order shops which make up individual suits according to specifications received in the daily mail. The market also includes a small group of cut, trim, and make firms, a group of contractors which comprised 263 firms when contributions began in 1923, and a few sponging establishments. The cut, trim, and make firms receive orders for individual suits, often buying the goods for the suit on receipt of the order. Usually, they employ one or two cutters who cut the suit length which, together with the trimmings, is then sent to a contractor to make up. About 750 workers were directly employed in the cut, trim, and make branch at the inception of the unemployment compensation plan. Most of the business of the contractors comes from special-order houses that follow the plan of contracting out part of their orders instead of manufacturing the entire output in their own inside shops. About 6,000 workers were employed by the contractors when the unemployment compensation agreement was completed. At that time the sponging firms had about 100 employees. They do not manufacture clothing, but are engaged entirely in sponging and shrinking woollens for manufacturing houses. The clothier and tailoring houses do their own cutting and manufacture each of the garments of the suit in separate departments or shops. Sometimes there is a special overcoat shop. Very few of the contracting shops manufacture more than one garment. Some of the larger clothier firms have special-order departments which do considerable business in this line, and in recent years a few of the special-order houses have added ready-made departments.

b. *Organizations.*—The agreements establishing the unemployment funds of the men's clothing industry of Chicago were signed in 1923. Hart, Schaffner & Marx, the largest firm in the market, had been in contractual relations with its employees since 1910, when they were organized in the United Garment Workers' Union. In 1914, workers in Hart, Schaffner & Marx, cooperating with employees of establishments in Chicago and other centers, organized the Amalgamated Clothing Workers of America, and a majority of the employees of the men's clothing industry throughout the country are now members of this organization.

During the war the industry in Chicago experienced a marked expansion, factories were built and staffs were increased. The number of employees at the peak of employment in 1920 probably exceeded 30,000. The Amalgamated Clothing Workers of America had been trying to organize the market since the completion of the agreement with Hart, Schaffner & Marx, and this period of prosperity favored them. In 1919, all the Chicago employers entered into contractual relations with this union. With practically all the firms in New York and Rochester under agreement, and also a considerable proportion of the employers in such smaller centers of the industry as Baltimore, Philadelphia, Milwaukee, St. Paul, and Minneapolis, the membership of the Amalgamated at the peak of employment in 1920 was probably about 125,000.

c. *Seasonal character.*—Employment in all branches of the industry has been highly seasonal. (See Chart 21, p. 73.) A few of the larger clothier firms through national advertising and by better coordination of production and sales policies, have been able to lengthen the work periods to some degree, but the great bulk of the annual output is produced in two well-defined seasons of four or five months' duration. The busy seasons in the two principal lines do not coincide, they alternate with but little overlapping. The contractors and the cut, trim, and make houses have the same seasons as the special-order shops. (See Chart 21, p. 73.) It would seem in this situation that fairly regu-

lar employment might be afforded by transferring the workers from the firms in seasonal decline to those entering their busy period, and about 1920 the union began to give attention to the problem.

2. *Union employment department.*—Some years before, a preferential-shop agreement which provided that members of the union should have preference in hiring and discharge, was completed with Hart, Schaffner & Marx; and the same provision was included in the market agreement of 1920. This was to be done through an employment department. The union soon found that the task of matching up workers and jobs in the whole market was much more difficult than within a single concern. At the time there were over 400 firms in the market comprising ready made, special order, cut, trim, and make, contracting, and cloth-sponsoring establishments. The working forces in these firms ranged in numbers from 5,000 in Hart, Schaffner & Marx, 3,000 in the House of Kuppenheimer, 2,000 in Alfred Decker & Cohn, to a mere 6 or 8 among the smaller contractors. There was corresponding range in specialization of product, labor, and process. The employees, of whom about 50 per cent were women, were of various races and nationalities, Jews, Italians, Poles, Czechs, Scandinavians, Lithuanians, and Rumanians, and, although in the larger factories there were about 100 distinct occupations among coat makers alone, all the employees were organized in one industrial union, the Amalgamated Clothing Workers. The cutters, however, retained their identity as a craft. All of them were members of one local which had its own employment facilities.

These and other factors made the problem of the employment department complex to a degree. The factories were grouped in three districts, and the workers preferred not to accept employment outside the district in which they lived. Factories located in a district where members of a particular national group were most numerous were usually manned by employees of that group and they tended to regard employment in such factories as a prerogative of the group. The employment office had to be more than a mere "house of call" as is usual in the craft union where the members, all being of the same occupation, are registered as released from employment and assigned in the order of registration. Moreover, because of the varying degree of labor specialization as between large and small firms and variation of process as between ready-made and special-order houses, employees considered as belonging to one occupational group might be farther apart in actual practice on the job than workers classed under different occupational designations.

The union probably did not appreciate the complexity of the problem and the depression of 1920-1922 brought further difficulties. Union members criticized the employment department, and when negotiations for the renewal of the trade agreement were in progress early in 1922 the employers demanded that "the power to select and allocate labor in all branches of the industry must be restored to the employers in order that there may be complete relief from the burden and the inefficiency which have characterized the union's attempt to deal with this problem." The union retained its employment prerogative, but outside assistance was secured and the employment department was reorganized. Attention was given to the possibility of transferring labor from one branch of the industry to the other as the seasons alternated, but there was no marked progress in this direction. Occupations of the same name in the two branches really differed widely because of the higher degree of specialization in the ready-made firms, and the workers were not interchangeable to any considerable extent. Moreover, as the great majority were paid by the piece, they hesitated to accept the initial reduction in earnings involved in any transfer to work of a different character. The employers on their side were none too willing to train the workers after such transfers, and as the depression of the time brought a surplus of labor on nearly every operation this effort to promote mobility of labor between plants and operations made little progress. It therefore became apparent that the problem of unemployment would have to be approached from some other angle.

3. *The unemployment compensation plan.*—The union leaders anticipated the inevitable deflation in the labor force after the period of war-time prosperity (see Chart 20 and Table 27) and at their convention in Boston in May, 1920, the Amalgamated Clothing Workers adopted the following resolution:

"Justice dictates that the industry which depends upon the workers to keep it alive, should take care of them when they are unemployed."

# EMPLOYMENT IN THE MEN'S CLOTHING INDUSTRY IN THE UNITED STATES 1914-1927 1923=100

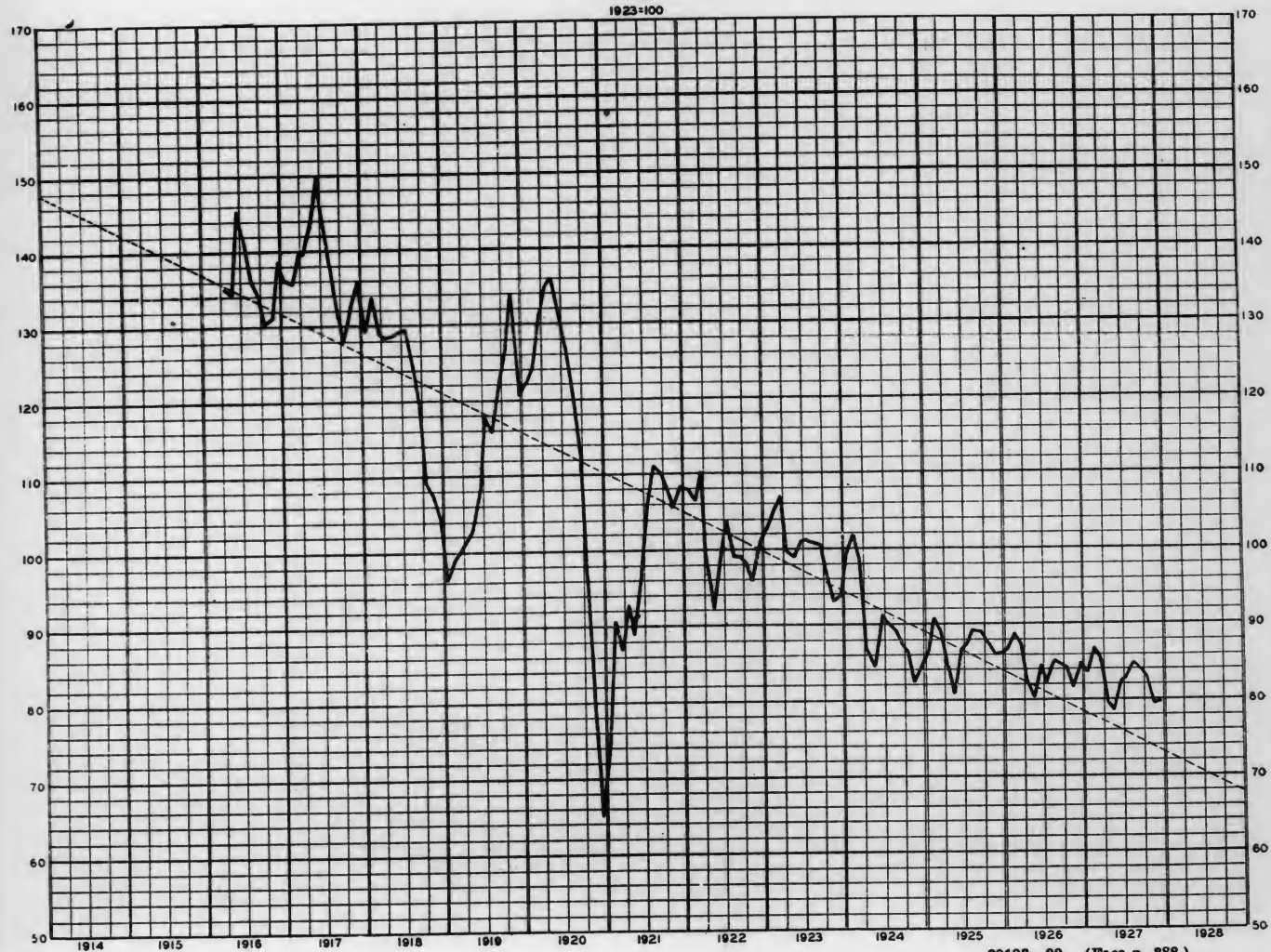


TABLE 27.—*Employment in the men's clothing industry in the United States 1916-1927*

[1923=100]

Month	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927
January.....	136.1	129.2	96.3	122.2	74.7	108.0	102.4	98.8	86.5	86.6	83.8	83.8
February.....	135.6	133.7	99.1	124.2	90.5	106.5	104.8	101.8	90.6	88.7	86.7	86.7
March.....	139.6	128.8	100.5	131.1	86.8	110.1	104.7	98.1	89.0	87.4	85.1	85.1
April.....	135.1	139.5	128.2	101.3	134.8	92.8	99.0	99.6	86.9	84.3	82.3	79.6
May.....	134.2	144.1	128.4	102.9	136.0	89.0	92.1	98.8	84.2	80.6	80.2	80.2
June.....	145.6	149.9	129.0	108.7	131.7	96.9	99.9	101.1	91.3	86.5	84.3	84.3
July.....	142.0	143.3	129.4	118.0	127.1	105.6	103.8	101.2	90.3	87.4	82.1	82.1
August.....	136.0	138.0	124.5	115.8	121.1	111.1	99.1	100.8	89.3	89.4	85.1	85.1
September.....	134.0	130.9	118.3	122.3	112.9	110.1	99.1	100.4	87.6	89.0	84.4	84.4
October.....	130.3	127.9	109.1	126.9	96.4	108.1	98.1	97.4	86.2	87.6	84.1	84.1
November.....	131.1	132.7	107.6	134.0	80.0	105.6	95.8	93.1	82.2	86.0	81.7	81.7
December.....	138.5	135.9	104.7	120.3	65.0	108.4	100.9	93.7	84.2	86.1	84.7	84.7

Source: United States Bureau of Labor Statistics, Monthly Labor Review.

"It can be done only by the creation of a special fund for the payment of unemployment wages, no gift and no alms, but wages from the industry to the worker. There is no reason why the industry, which pays a permanent tax to the various insurance companies in order to indemnify the employer in case of an emergency, should not likewise have a permanent fund for indemnification for lack of work. The welfare of the workers in the industry should be entitled to at least as much consideration as the property of the employer.

"The committee, therefore, recommends that the convention go on record in favor of the creation of an unemployment fund. It is our opinion that such a fund should be created by the weekly payment of the employers of a given percentage of the pay roll of our members, which shall not be deducted from the pay roll but paid into the fund in addition to the pay roll."

The union's proposals submitted to the employers in Baltimore, Boston, Rochester, and Chicago in the summer of 1920, included a demand for the establishment of an unemployment fund, and a memorandum on the subject was presented to the Chicago board of arbitration.<sup>82</sup> It was held in this memorandum that the cost of unemployment compensation should be borne by the industry, which would mean that "to the degree which unemployment is ineradicable, the cost will be shifted to the consumer like any other cost of production."<sup>83</sup> It was argued that unemployment could be reduced if employers would give attention to the problems of industrial organization involved and that "such attention to the nature of the problem should be encouraged by provisions that would penalize excesses in unemployment and reward reductions. The employer whose contributions would be reduced by this device would thereby acquire a legitimate competitive advantage over his fellow employers."<sup>84</sup>

The Amalgamated Clothing Workers made no substantial progress toward the establishment of unemployment compensation in any of the clothing centers except Chicago, and agreement was not reached in that market until 1923. Their demand at the time of the arbitration proceedings in Chicago in July, 1920, met the answer that the subject of unemployment compensation did not come within the scope of the existing 3-year agreement between the employers and the union signed in 1919. When the agreement was renewed in 1922, a provision was inserted that the union might bring up the question of unemployment compensation three months prior to any anniversary date, as had been the case with respect to wages. In 1923 the union asked for a wage increase and for the establishment of an unemployment fund. The wage adjustment was submitted to a special board of arbitration, but the question of an unemployment fund was settled in negotiations. Representatives of the union and of the Chicago Industrial Federation of Clothing Manufacturers which included all the principal firms and associations of manufacturers in the market, agreed upon the main principles of an unemployment fund, and the board of arbitration was advised that the employees would contribute 1.5 per cent of their wages and

<sup>82</sup> Leo Wolman, A Proposal for an Unemployment Fund in the Men's Clothing Industry, Amalgamated Education Series, Pamphlet No. 5, Amalgamated Clothing Workers of America, education department, New York, 1922, 27 pp.

<sup>83</sup> *Ibid.*, p. 21.

<sup>84</sup> *Ibid.*

the employers an equal amount, beginning May 1, 1923. In their decision awarding a wage increase, the board made allowance to the employers for the amount of their unemployment compensation contributions.

Months were consumed in these negotiations. The special-order firms, who make to order for immediate delivery, thought that the scheme should be so planned that unemployment compensation would cost them less than the larger ready-made houses. They insisted that the very nature of their business made them dependent upon the whims of the consumer and that their employees necessarily incurred more unemployment than those in the ready-made branch of the industry where the bulk of the orders were taken months before delivery and where work could be planned in advance. They were quite certain that their piecework rates were generally higher than those of the ready-made firms in order to compensate in some degree for the shorter work seasons. The union representatives insisted that smaller contributions would mean smaller benefits and that the workers would prefer employment in the ready-made establishments which would be able, therefore, to secure the best qualified labor in the market and so place the special-order shops at a further disadvantage. The final agreement imposed the same scales of contributions and benefits on all branches of the industry.

The question as to whether there should be individual house funds or a pooling of all the contributions in one market fund was soon settled. The union would have preferred one pooled fund. It realized that the number of weeks' employment afforded in the year differed widely, not only between the various branches of the industry, but also between establishments in the same line of manufacture, and it seemed that differing scales of benefits would bring continuous protest from the workers receiving the lower scales. The annual volume of employment in the small contracting shops was generally much lower than in the ready-made and special-order establishments, and the union anticipated not only that the contractor employees might demand a uniform benefit scale throughout the market, but that the membership in general after long experience with the uncertainty of the industry might hold to the same view. The emphatic stand by the larger concerns in favor of house funds left no alternative in their case. They insisted that any unemployment-compensation funds they might accumulate through good management should not be dissipated among the small, steadily disappearing contracting shops competing with them, and that their money should not be used to keep these weak competitors in competition for a longer time. The union exercised greater control in the contracting division of the industry and all contractor funds were pooled, but in view of the irregularity and the high mortality rate among the contracting shops, no other plan was feasible.

It soon became evident also that the union membership was not unanimously in favor of a general pooling of contributions. The cutters were not under the piecework system generally prevailing. They were paid by the week and as a rule had but little part-time unemployment, for most of their loss of time was arranged by rotation lay off. They thought themselves more regularly employed than the great majority of tailors, operators, pressers, and hand sewers, and they feared that they would contribute most and benefit least. They suggested that cutters should be entirely excluded from the scheme or that there should be a special plan for the cutting branch of the trade. Although the union was organized on an industrial basis, the cutters had their own local, a remnant of the earlier craft organization. This compact body of about 3,000 cutting-room employees stood strongly for some kind of preferential treatment, and their consent to participation in the general plan on the same terms as other members of the union came only after prolonged discussion and negotiation.

Discussion of unemployment compensation for part-time employment was the principal cause of delay in reaching agreement on the final document. The union argued that most of the unemployment of the market was caused by part day or part week work, because of the established practice of rationing the available employment among all the workers of the factory, and that unemployment on account of short time should be compensated on the same basis as lay offs. The employer representatives held that even if there were considerable loss of time through short days, those employees who received a pay envelope every week, however small the earnings, were in a more fortunate position than those who received none at all. Compensation for part-time unemployment on the same basis as shut downs would deplete the funds, and part-time workers should receive benefit for not more than half of their loss

of time in order to conserve the funds for the entirely unemployed. The union replied that if preference of this kind were extended to the totally unemployed, it might be expected that all workers would insist that their unemployment should be taken in lay offs, rather than short time. The special-order houses, especially, were somewhat alarmed at this prospect for, as they receive some orders daily and deliveries must generally be made within a week, the employees must report every day unless rotation lay offs can be arranged. It was finally agreed that the first four hours lost by part-time workers in any week should not be considered compensable unemployment.

Contributions to the fund began May 1, 1923, and payments a year later.

#### PROVISIONS OF THE PLAN

1. *Preliminary contracts.*—The preliminary contract not only agreed on joint contributions and fixed their amount, it provided that the union should secure full legal authority to act for the employees of the manufacturer in agreeing upon the establishment of an unemployment fund; that the union should secure from the individual employees authorization for the manufacturer to deduct their contributions from their weekly earnings; that administration of the fund should be vested in a board of trustees equally representative of the two parties and with one or more neutral members; that the funds should be invested in securities of the United States Government; that limits should be set upon the size to which the fund might accumulate; that the fund should never be used for any purpose which could be construed as enabling, aiding, or encouraging either party to carry on labor warfare; that in the event of legislation compelling the manufacturers to contribute to any State or Federal unemployment fund, their contributions to the fund of their own industry should be reduced by the amount paid into the Government fund; that the unemployment agreement should expire with the existing trade agreement on April 30, 1925. It was also agreed that in the event of termination of the agreement through failure to renew it, dissolution of the union, or of the business of the manufacturer, or through legislation requiring the manufacturer to contribute to a governmental unemployment fund, the trustees should have legal power and the duty to hold and dispose of the fund in such manner as would best carry out the spirit and purpose of the agreement.

In drafting the preliminary and final documents, both the manufacturers' association and the union had legal advice and every effort was made to define the duties and responsibilities of the two parties and of the board of trustees with meticulous care. While the Cleveland employment-guarantee plan was established in 1921, this final contract was the first unemployment-fund agreement between organized employers and employees in the United States, and evidently commended itself to other negotiators of such agreements, for the later contracts in other industries followed it closely.

2. *The final agreement.*—The terms of the final agreement and the rules as at first adopted may be summarized as follows:<sup>46</sup>

a. *Source of fund.*—Beginning May 1, 1923, the employer shall deduct 1.5 per cent of the weekly earnings of each member of the union in his employ and shall forward to the trustees weekly the money so deducted, together with an equal amount contributed by himself.

b. *Waiting period.*—(1) For workers on short time, the waiting period in each season shall be 44 hours.

(2) For workers on lay off, the waiting period each season shall be 44 hours after registering at the employment exchange.

c. *Definition of unemployment.*—(1) Time on lay off in excess of the waiting period shall be counted as unemployment.

(2) Short time in excess of 4 hours in any week, after allowing for the waiting period (all short time) shall be counted as unemployment on the same basis as time on lay off.

(3) Every hour of overtime shall offset one hour of unemployment.

d. *Eligibility for benefits.*—To be eligible for unemployment benefit, a worker—

(1) Must have been a member of the union in good standing for one year;

(2) Must have contributed regularly during his employment;

(3) Must be unemployed because of lack of work;

(4) Must be registered at the employment exchange, if wholly unemployed, and must not have declined to accept suitable employment;

<sup>46</sup> Where changes have been made, the present reading is indicated in parentheses.

- (5) Must not have exhausted his right to benefit.
- c. Scale and duration of benefit.*—(1) Benefit shall be 40 per cent of full-time wages with \$20 per week as a maximum, beginning May 1, 1924.
- (2) Not more than two and one-half weeks' benefit shall be paid in either of the two seasons May-October and November-April.
- (3) A worker on short time shall not be credited in any week with wages and benefits in excess of \$50.
- (4) Persons voluntarily unemployed may receive no more than 1 week of benefit for every 10 weeks on the pay roll.
- f. Transfers.*—(1) When a worker is employed temporarily, his contribution shall be transferred to the fund of the firm that employs him permanently.
- (2) When a worker is separated permanently from any firm he shall forfeit all claim upon the fund of that firm, but shall share equally with the other employees in the fund of the firm that next gives him permanent employment without any prerequisite length of service.
- g. Special rules for temporary cutters.*—The compensation contributions of temporary cutters shall be set aside as an unemployment fund for temporary cutters. Cutters shall receive 33½ (30) per cent of the weekly wages as benefit instead of 40 (30) per cent. Permanent cutters shall be limited to 5 weeks' benefit in the year and temporary cutters to 10 weeks' benefit. (No temporary cutter benefits.)
- h. Limitation on size of the fund.*—The unemployment fund of any firm shall not be permitted to accumulate beyond an amount equal to the total maximum benefits payable during a period of two years. When it reaches that amount, contributions shall cease on both sides and shall be revived only when the fund is reduced to an amount less than the total maximum benefits payable during a period of one year.
- i. Distribution of benefits.*—(1) Full-time benefits shall be distributed by the employment exchange.
- (2) Distribution of short-time benefits shall be arranged by the Amalgamated Trust and Savings Bank.

## ADMINISTRATION

1. *Administrative body.*—At first four boards of trustees were established, one for Hart, Schaffner & Marx, one for the House of Kuppenheimer, one called the "market board" for the remaining large concerns, and one for the contractors. For the unpooled funds associated in the "market board" there are, theoretically, as many boards of trustees as there are firms, for the employers made individual but identical agreements with the union, each of which named the trustees for the fund of the particular firm. This difficulty was overcome when all the firms chose the same persons as trustees and by the trustees making formal provision at their first meeting that they would legislate for all these associated funds at the same time unless they should indicate otherwise. In view of the difficulty of securing agreement upon trustees among the nonassociation or independent firms, their unpooled funds have been administered by the chairman of all the boards in conformity with the procedure of the other boards. Prof. John R. Commons, of the University of Wisconsin, was appointed chairman of all the boards and served until May 1, 1925, when he resigned, and Dr. B. M. Squires, chairman of the trade board of the Chicago men's clothing industry, was appointed to succeed him.

In planning the administration, there was much discussion as to whether the work of all the funds should be centralized in one office or whether each firm should administer its own scheme. The latter proposal raised obvious difficulties. The small contractors were quite incompetent to carry on the work. Close inspection of the administration of each fund would be necessary to insure against irregularities and to guarantee proper accounting for all contributions; the firms would be involved in some expense for the maintenance of individual contribution and benefit records, and these would have to be forwarded to the chairman when appeals were being heard and accompany the worker when he left to accept employment with another firm. Moreover, it would be necessary to make a settlement with each departing worker to cover benefits due for unemployment incurred since the last payment. Some of the firms flatly refused to be saddled with this work and expense, and in the end the trustees centered the administration of all the funds in one office.

2. *Administrative procedure.*—Then came consideration of actual administrative procedure. As there was no similar plan in America to offer precedents, the procedure of Great Britain's vast scheme of unemployment compen-

sation was examined closely. For some time it was thought that the British stamp system could be adapted to the requirements of the Chicago scheme, but in the end it was considered impracticable. In Great Britain, all the workers pay the same contributions regardless of their earnings and they also receive a flat amount of benefit. While the employer's contribution is slightly higher than that of the worker, the employer contributes the same amount for every employee and accordingly only two denominations of stamps are used throughout Great Britain. The Chicago agreement, on the other hand, established contributions of 1.5 per cent of the worker's pay and an equal amount from the employer, and there can be no fixed contribution because the vast majority of the workers are under the piecework system. The industry's practice of rationing employment in slack time in preference to laying off employees makes for still greater variation in earnings and contributions. The stamp system would have involved so many different denominations of stamps and so much clerical expense that all thought of it was dismissed.

It was soon realized that the problem of administration, because of the basing of contributions and benefits on earnings and the payment of benefits for short time as well as for complete unemployment, was much more complex than in the British scheme. Certainly more data would be called for, and a record for each worker in the market, covering his weekly hours of employment, earnings, and compensation contributions, was decided upon. It was obvious that before benefits could be paid a complete record of the worker's hours of employment, indicating overtime if any, would be necessary in order to calculate the time lost through short time and lay offs for the period in question and to deduct overtime for this unemployment as required by the rules. Calculation of benefits also demanded a record of the weekly wages earned by each employee, since the benefit was to be a stated percentage of the full-time weekly earnings, and no consideration could be given to a worker's eligibility without a statement of the number and amount of his contributions. The trustees were authorized by the agreement to require the employers and the union to forward any information necessary for the administration of the scheme, but they hesitated to impose such a report upon the firms, involving as it did a transcript of most of the information on the pay roll. Finally, they were given the option of forwarding this report or of lending their pay rolls to the unemployment-compensation office one day in each week. All the larger firms adopted the latter practice, but the smaller concerns with few employees found it more convenient to send in the report, and the unemployment-compensation office supplied them with a form for the purpose. The form provides for the reporting of voluntary absence so that no benefit may be paid on this account, and the larger houses were instructed to indicate voluntary absences on the pay rolls. The union on its part arranged to have every union member give his employer written authority to deduct his contribution from his wages, and instructed the employment exchange to report to the office of the trustees daily all registrations of unemployed workers and all assignments of workers to employment.

The work of the office falls into three divisions: Records, accounts, and benefits. The records division has the responsibility of collecting the pay rolls and pay-roll reports from the employers and the employment-exchange reports from the union, of posting the pay-roll data and the employment-exchange registrations and assignments to the records of the individual workers and of returning the pay rolls to the firms.

The accounts division maintains the individual fund accounts for the various houses in the market. It charges each firm with the 3 per cent weekly contributions indicated on the reports and credits it with the cash contributions as received. It banks the moneys received daily and cooperates with the treasurers of the various boards in the investment of surplus funds in United States securities as provided by the agreement. This division also records the benefits paid on account of each firm, charges the firm with its share of the expenses of administering the office, and indicates the balance available in the fund.

The trustees maintain one central benefit account for the market from which all benefit payments are made, except those to temporary cutters, for whom a separate fund has been established. As cash is needed for benefit purposes, the treasurer notifies the trustee board concerned and they liquidate securities and transfer the proceeds to the benefit or temporary cutters' accounts.

The benefits division decides upon each worker's eligibility for benefit and issues the benefit checks. At the outset, there was considerable confusion because the great majority of the employees were European immigrants, and as a

worker moved from shop to shop his name was reported so differently by the employers that he lost his identity in the office. Frequently there were two or more employment records for the same employee, and in consequence as many benefit checks would be issued. At the beginning of the second season, the compensation office secured the local and ledger numbers of the workers on the books of the union and posted them on the employment records. In addition, a benefit record was set up for each employee and filed in the order of the ledger numbers. The accumulated lost time is posted at the end of the season from the employment record to the local ledger card, and benefits are paid on the basis of this benefit record. If an individual worker's history is spread over a number of employment records, all of these will carry the one ledger number and will be posted to the one benefit card of the same ledger number and so prevent payment of two benefits to the same employee.

3. *Collection of contributions.*—The delay in signing the final agreement proved a serious handicap in the administration of the funds. During the final negotiations, each employer was required to set aside the contributions of the firm and its employees under the supervisions of the board of arbitration. In some cases the firm forwarded the contributions to the chairman of the board and in others deposited them in a bank account opened in the name of the chairman. The employers were directed to send a weekly statement showing the hours worked, wages earned and compensation contribution deducted for each employee, but very few observed this instruction and until the final agreement was signed there was no authority to enforce it. Some firms did not set the unemployment compensation moneys aside, and the trustees were unable to collect the interest accrued. A few firms, mainly contractors, became bankrupt during the interval and all of the contributions could not be collected. Delinquencies in payment of contributions caused the trustees much concern because of the high mortality rate among the contractors during the depression and the difficulty of securing contributions overdue from firms in process of dissolution. The trustees issued an order that interest would be charged on contributions overdue, but it accomplished little. The employer trustees maintained that the agreement did not make the collection of contributions a responsibility of the boards, and that it was the duty of the union as one party to the agreement to take legal action, if necessary, against any employer as the other party who failed to observe its provisions. Accordingly, in the cases of firms in bankruptcy the union instructed its legal advisers to take any necessary steps to insure the payment of the contributions, but in a few cases settlements for part of the amount had to be made. When contractors were delinquent, the union did not hesitate to resort to stoppages in order to enforce payment, but sometimes the contractor had so little cash available that the use of this weapon only served to leave the workers unemployed. The office of the trustees adopted a rule that benefits should not be distributed to the employees of a shop unless the contributions and pay roll reports for the season had been forwarded. As a result, the employees of delinquent firms began to exert pressure on the managements when benefits became due.

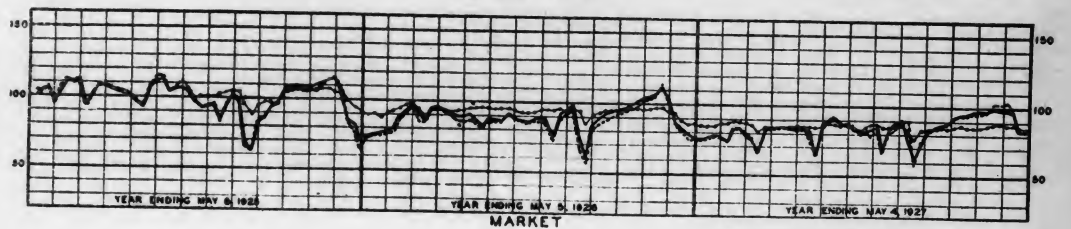
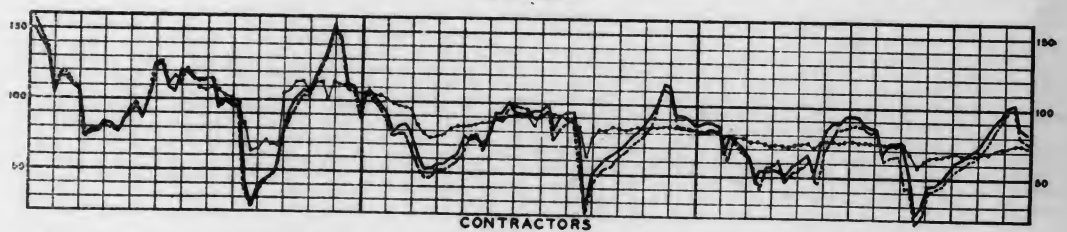
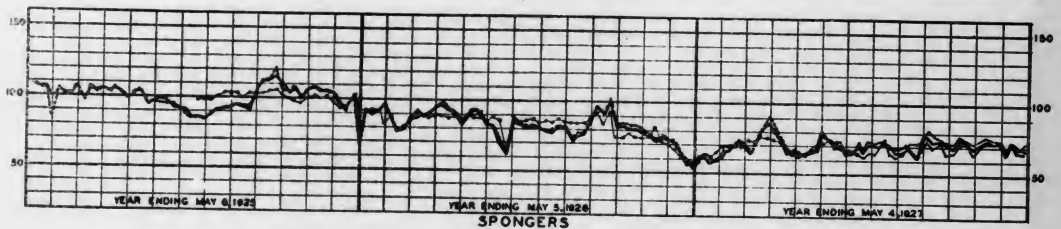
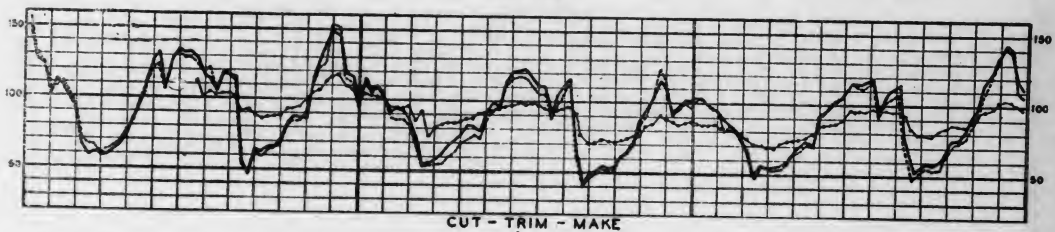
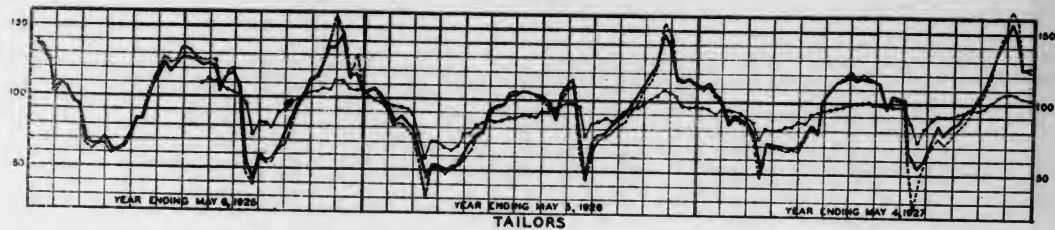
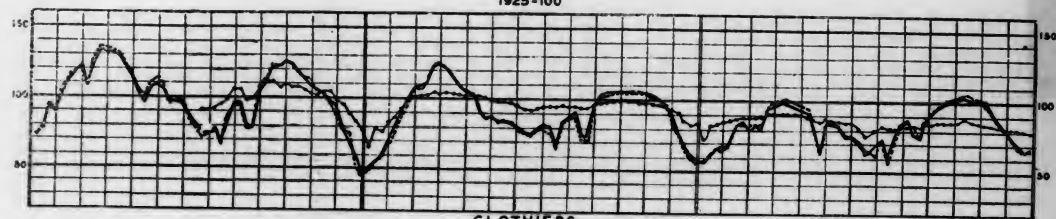
This proved the most effective method and collections have improved steadily. With one or two exceptions, the firms which did not forward contributions promptly employed small forces, and as there were few such firms the losses sustained since the inception of the plan have probably not exceeded 1 per cent of the total contributions payable.

4. *Payment of benefits.*—The trustees' office was opened in October when the majority of the firms had completed the final contract, but they continued delinquent in forwarding the necessary pay-roll data. A few employers hoped that the trustees would place the keeping of the records and the distribution of benefits for the house funds in the hands of the individual firms, and they postponed their reports as long as possible. Others objected to the reports as involving too much clerical work, and when the lending of pay rolls to the compensation office was suggested as an alternative, they declined to permit such valuable records to leave their premises. A number of establishments, among them some of the largest in the market, did not send this information until March, 1924.

It had been hoped to begin payment of benefits early in the year, but the tardiness of the employers in furnishing these data, coupled with a marked shrinkage in employment which began in the fall of 1923, necessitated postponement of the first benefit payments until May, 1924. It was decided that unemployment, as defined by the rules, incurred on and after May 1, 1924, should be compensable. In the short time available, it was only with the greatest diffi-

# EMPLOYMENT IN THE CHICAGO MEN'S CLOTHING INDUSTRY

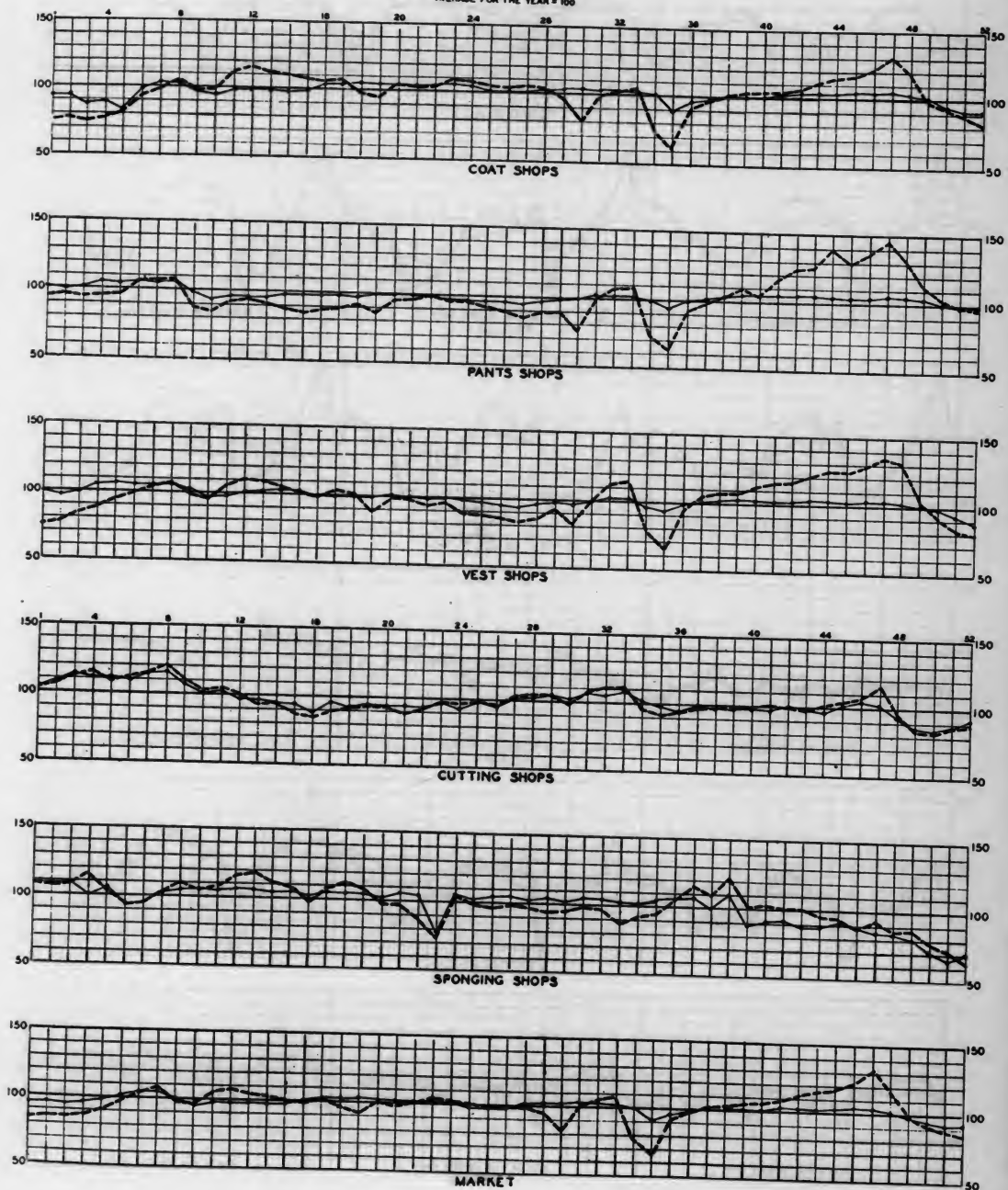
1924-1927  
1925=100



LEGEND  
HOURS..... NUMBER OF EMPLOYEES..... WAGES.....

# EMPLOYMENT IN THE CHICAGO MEN'S CLOTHING INDUSTRY

YEAR ENDING MAY 5, 1926  
AVERAGE FOR THE YEAR = 100



culty that the office was able to construct the employment records of the 30,000 union employees for the year May 1, 1923, to April 30, 1924, in order to arrive at their full-time earnings, and the number and amount of their contributions. Benefit payments in several factories had to wait for completion of the records. The poor cooperation of some employers in the matter of records and the resulting delay in benefits, gave the unemployment compensation scheme a poor introduction to the rank and file of the employees.

Benefits are now paid twice a year, April 30 and November 30, at the close of the half-yearly benefit periods. At the outset the office began paying benefits monthly, but in some months the time loss was slight and the benefit check, correspondingly small, was unappreciated. The plan of making one payment for the season was found more satisfactory to the workers and less expensive.

5. *Grievances.*—Provision is made that workers who receive no checks or who are dissatisfied with the amount received may forward claims to the unemployment compensation office. Each claim is considered and reply promptly made, but if the worker is still dissatisfied he may appeal to the chairman of the board of trustees. Over 100,000 seasonal payments have been made and only one appeal has been received by the chairman, and this he dismissed, as the worker had been out of the city and unavailable for employment in the industry during the period he claimed benefit.

6. *Cost of administration.*—Expenses of the administrative office for the entire period, May 1, 1923, to April 2, 1927, were \$242,464.83, which, less the cost of equipment, was 6.2 per cent of the total receipts. The annual budget of the compensation office is now under \$60,000, or less than 5 per cent of the first year's contributions, but because of the shrinkage in contribution income the budget now constitutes over 7 per cent of the annual contributions.

#### SUMMARY OF EXPERIENCE

1. *Employment.*—Administration of the plan has yielded an important by-product of statistical data. As the weekly hours, earnings, and compensation contribution of each worker are posted from the pay roll to his compensation office record, the posting machines accumulate the shop totals under each head, and the number of individual postings indicates the number of employees actually working during the pay-roll week. From these data the unemployment compensation office has made a statistical presentation of employment in the industry since the plan was initiated such as is possessed by few other groups of establishments. Charts showing employment as indicated by man-hours, number of employees working, and pay-roll totals are kept constantly up to date, enabling the trustees to follow expansion or contraction closely, to forecast with some accuracy the income from contributions and the demands upon the funds for unemployment benefits. The figures are presented by the different types of firms, clothiers, tailors, cut-trim-make, spongers, and contractors, as well as by market totals. (See chart 21.)

Recently the office has begun a presentation of the figures for the shops manufacturing the different garments in the suit and for the cutting rooms. Charts are now available for the year ended May 5, 1926. (See chart 22.) In wage negotiations questions have often been raised as to varying degrees of regularity of employment between the different garment shops. The workers have contended that the manufacture of 2-piece suits for summer wear has affected employment of vest makers adversely. On the other hand, employers have asserted that the demand for 2-trouser suits has brought better employment in the pants shops. It has been generally agreed that cutting-room employees have been more regularly employed than workers in other divisions of the trade, but there has been little basis for accurate comparison. No doubt the office proposes to break down the total figures for shops making the same garment according to the different branches of the trade so that, for example, employment on coats in clothier firms may be compared with employment on the same garment in tailor shops. As the record grows it will afford an important factual basis for negotiations and for regularization of employment in the market. The record of average hourly wages obtained from the figures of man-hours and total wages paid will register the effects of changes in piece rates, hours, and shop procedure upon earnings.

In time the statistics will make possible accurate calculation of the unemployment risk in the market as a whole, in its different branches and in the individual firms and shops. A tentative estimate of the average annual unemployment per employee may be made on the basis of the record to date. According to the figures for the two years ended October 31, 1926, the average

annual hours of employment per employee were 1,508 for the market as a whole, 1,497 for the clothier firms, 1,517 for the tailors, 1,487 for the cut, trim, and make houses, 1,824 for the spongers, and 1,139 for the contractors. (See Table 28.) The full-time week being 44 hours, the average annual hours of unemployment per employee for these groups were accordingly 780, 791, 771, 801, 464, and 1,149, respectively. Contrary to the general opinion, the tailors as a group afforded their employees more employment in the year than the clothiers. It is quite possible, however, that over a longer period the clothiers' factories might prove more stable than the tailoring shops. The postwar readjustments seem to have borne more heavily on the clothier group. As the tailoring branch of the industry makes up garments to individual orders, it was not affected by the advent of hand-to-mouth buying which forced changes of policy and experimentation among the clothier establishments. Further, some of the tailors invaded the clothiers' field during this period and added ready-made lines which helped to regularize their employment materially and may have reduced employment in the clothier factories to some extent. In time the statistical record will indicate which of the two groups affords more employment in the long run.

2. *Loss through unemployment.*—The annual wage loss to employees on account of unemployment, making no allowance for the consideration that wage rates may be designed to compensate partially for unemployment and taking 52 weeks as a year's employment, amounts to \$13,552,912 for the whole market on the basis of the record for the two years ended October 31, 1926. (See Table 29.) Translating this into unemployment compensation cost, we may allow one week for holidays without pay and two weeks, one in each of the two seasons, for waiting period as established by the Chicago plan. Accordingly if the employees were compensated at the full-wage rate of 88 cents per hour for unemployment incurred in a year of 49 weeks, the cost would be \$11,267,828. (See Table 29.) This would be equivalent to 43 per cent of the market pay roll, or 21.5 per cent, if benefits were half the full-time earnings. At 30 per cent of the regular wage as now provided in the Chicago plan, compensation for unemployment in a year of 49 weeks would add 13.4 per cent to the pay roll. This compares with an actual annual benefit of about \$700,000 now being paid from contributions amounting to 3 per cent of the pay roll, of which the employees pay half. For the various employing groups in the market, full unemployment compensation for a 49-week year would amount, on the basis of the figures for the two years, to 44 per cent of the present pay roll for the clothiers, 42.1 for the tailors, 45 for the cut, trim, and make houses, 15.2 for the spongers, and 88.5 for the contractors.

TABLE 28.—*Estimated annual loss in hours and wages,<sup>1</sup> men's clothing industry, Chicago, Ill.*

	Average annual hours worked per employee	Average annual hours lost per employee	Average wage rate per hour	Average annual earnings per employee	Average annual wage loss per employee
Market.....	1,508	780	\$0.882	\$1,331	\$688
Clothiers.....	1,497	791	.874	1,308	691
Firm A.....	1,628	680	.892	1,452	589
Firm B.....	1,572	716	.843	1,325	604
Firm C.....	1,615	673	.877	1,416	590
Firm D.....	1,456	832	.863	1,257	718
Firm E.....	1,306	982	.805	1,052	792
Firm F.....	1,246	1,042	.845	1,053	880
Tailors.....	1,517	771	.938	1,423	723
Firm A.....	1,643	640	.908	1,495	620
Firm B.....	1,440	848	.923	1,329	783
Firm C.....	1,627	661	.853	1,388	564
Firm D.....	1,536	752	.923	1,418	694
Firm E.....	1,357	931	.991	1,345	923
Firm F.....	1,529	759	.88	1,345	688
Firm G.....	1,366	922	.972	1,328	896
Firm H.....	1,562	726	.913	1,436	643
Firm I.....	1,400	888	1.02	1,428	906
Firm J.....	1,573	715	.954	1,501	682
Cut, trim, and make.....	1,487	801	.966	1,437	774
Spongers.....	1,824	464	.836	1,825	388
Contractors.....	1,139	1,149	.731	833	840

<sup>1</sup> The figures are averages for the 2 years ended Oct. 31, 1926, and a full year's employment has been taken as 52 weeks.

TABLE 29.—*Estimated annual wage loss expressed as percentage of pay roll, men's clothing industry, Chicago, Ill.<sup>1</sup>*

	Annual wage loss per employee		Number of employees in peak weeks	Annual wage loss of all employees		Annual pay roll	Wage loss as per cent of pay roll	
	52 weeks	49 weeks		52 weeks	49 weeks		52 weeks	49 weeks
Clothiers.....	\$691	\$576	11,802	\$8,157,790	\$6,796,217	\$15,440,463	52.8	44.0
Tailors.....	723	599	4,696	3,396,672	2,815,232	6,683,857	50.8	42.1
Cut, trim, and make.....	774	646	597	462,078	385,662	857,967	53.9	45.0
Spongers.....	388	278	67	25,996	18,626	102,182	21.3	15.2
Contractors.....	840	743	3,813	2,782,920	2,461,559	2,760,947	100.8	88.5
Market.....	688	572	19,699	13,552,912	11,267,828	26,210,729	51.7	43.0

<sup>1</sup> The figures are averages for the 2 years ended Oct. 31, 1926.

3. *Contributions and benefits.*—Benefits for the first season, May 1, 1924, to October 31, 1924, amounted to \$904,467.83 for the regular workers and \$37,859.20 for the temporary cutters. As the contributions for that period amounted to only \$469,864.35 and for the entire previous year to \$1,196,336.39, it was obvious that some reduction in benefits had to be made. The trustees ruled that for the following season benefits should be granted for a maximum of two weeks instead of two and one-half weeks as before.

The contractors' fund was so depleted that benefits had to be reduced to one week in the season. They continued on this basis until benefits were paid for the six months ended October 31, 1926, when payment was made for 66 hours of unemployment.

A few of the small tailoring firms had to reduce benefits below the two weeks prescribed. Accordingly, benefits declined in the six months ended April 30, 1925, to \$621,511.97 for the regular workers and \$41,292.27 for the temporary cutters, while contributions for this period were reduced to \$432,509.69. The situation demanded a further curtailment in benefits, and the trustees decided that for the six months ended October 31, 1925, benefits for permanent workers should be 30 per cent of full-time wages with \$15 per week as a maximum instead of 40 per cent and \$20 per week, respectively, as before. Benefits for all cutters were reduced from 33 1/3 to 25 per cent. These provisions brought a decline of benefits for the third season to \$364,817.81 for permanent employees and \$16,191.94 for temporary cutters. Contributions for the third season (May 1 to October 31, 1925) declined to \$331,096.71. Contributions and benefits were balanced, therefore, but the item of administrative expense was still in excess of income. In the following six months contributions were increased to \$391,841.63, but benefits declined to \$323,234.74 for regular workers and \$8,328.57 for temporary cutters.

This reduction in benefits was affected by a change in the rule concerning unemployment through short time. At first the rule provided that part-time workers should be compensated for unemployment in excess of four hours in the week. The full-time week being 44 hours, any employee who had less than 40 hours' work was entitled to some benefit. By the change an employee with less than 36 hours was to be compensated so that 8 hours might be lost weekly for which no benefit would be paid.

While a marked reduction in the benefit payments was effected by this revision of the rules, the employees protested vigorously, and it was discovered that, as the union had argued when the scheme was established, workers in some establishments had most of their unemployment in the form of short time. The trustees decided, therefore, that no distinction could be fairly made between unemployment by part time and by lay off, and it was agreed that all time lost within the regular 44-hour week should be counted as compensable unemployment. This liberalizing of the rules resulted in a rise in benefits to \$371,971.84 in the six months ended October 31, 1926, no benefits being paid to temporary cutters during the season. Contributions, however, fell off to \$357,368.03. For the sixth season it was provided that, as payments to temporary cutters had been discontinued, the benefits to regular cutters should be 30 per cent of the wages, the scale for the general body of employees, instead of 25 per cent as before.

During these years of deflation while contributions were falling steadily, the prevailing unemployment made it difficult to reduce benefits in the same pro-

portion. Contributions did not show an upward trend until the sixth season ended on April 30, 1927, when a considerable advance over the previous season was indicated. The total revenue of the funds at the close of April 2, 1927, amounted to \$3,543,127.27. Benefits for the same period totaled \$2,692,676.17.

4. *Number of beneficiaries.*—The number of beneficiaries under the scheme declined from 26,426 in the first season to 16,338 in the fifth season. This was mainly due to the large number of workers leaving the industry. Apparently the changes in rules, made with a view to conservation of the funds, reduced the number who received benefits only slightly, for when the rules were liberalized in the fifth season there was but a small increase in the number of beneficiaries. In all, 100,917 payments of benefits were made for the five seasons from May 1, 1924, to October 31, 1926.

The reduction in the working force seems to have fallen most heavily upon the cutters. The group of temporary cutters not attached to any firm and taken on only in the busy periods was augmented as some firms went out of business during the depression and as the regular cutter forces of other houses were able to do the smaller volume of work without calling in temporary men. The full effect of this development was experienced in the six months ended April 30, 1925, when benefits were paid to 628 temporary cutters as compared with 456 in the previous season. From that time the number of beneficiaries in this group declined as the workers left the industry. At the beginning of the fifth season the group had almost entirely disappeared and no benefits were paid.

The volume of employment in the cutting rooms was so reduced that not only were no temporary cutters taken on, but the permanent men in some shops were on short time for long periods in the year. This was due in considerable measure to technological changes, such as the cutting of a greater number of layers of goods at one operation. In this situation it became evident that a permanent reduction of the cutting force employed by Hart, Schaffner & Marx was necessary, and, after negotiations with the union, about 250 cutters were given a dismissal wage of \$500 and released. The fund for this purpose was constituted by a direct contribution from the firm of half the amount required and by the cutters who were retained foregoing their unemployment benefits until the other half had been contributed. Accordingly, the approximately 300 cutters employed by Hart, Schaffner & Marx did not receive benefits for the fourth and fifth seasons.

5. *Summary of receipts and expenditures.*—A statement is available showing the contributions, income from funds, benefit, and other expenditures by seasons as of April 2, 1927. The figures given are the totals of the funds under the supervision of each of the six boards of trustees. As contributions in this period were received they were invested in securities of the United States Government as required by the agreement or, if benefit payments were pending, in certificates of deposit, especially if it seemed unwise to liquidate securities at the time. As cash was required for benefit payments and administration expenses, transfers were made to the different expenditure accounts. The total receipts as of April 2, 1927, from contributions, income on the funds, and interest on the benefit accounts amounted to \$3,543,127.27. The balances in the funds and in the benefit and expense accounts totaled \$607,986.27, indicating a total expenditure of \$2,935,141. Tables 30 and 34 summarize the financial history of the plan.

The plan must be viewed in the light of conditions in the industry since its inception. Since 1920 the men's clothing market of Chicago, in common with the whole industry, has passed through a period of drastic deflation. (See chart 20, p. 61.) When the agreement came into force May 1, 1923, the number of firms that began to contribute was 413, and the employees numbered from 27,000 to 30,000 in the busy season. At the end of 1926 the number of firms had dwindled to 206 and the employees to less than 20,000.

	May, 1923		December, 1926		Out of business			
	Firms	Em- ployees	Firms	Em- ployees	Firms	Per cent	Em- ployees	Per cent
Association clothiers and tailors.....	61	17,000	36	14,500	25	41	2,500	15
Nonassociation firms.....	89	4,000	41	1,500	48	54	2,500	62
Contractors.....	263	6,000	129	3,000	134	50	3,000	50
Total.....	413	27,000	206	19,000	207	50	8,000	30

The small concerns were chiefly affected, the decline in the number of firms being 50 per cent, but only 30 per cent of the number of employees. The firms that went out of business contributed \$432,000, or 13 per cent of the total of \$3,342,000 paid into the unemployment compensation funds up to January 1, 1927. In the midst of this severe unemployment the rules had to be revised and the relief the workers had anticipated was curtailed. On the other hand, employers who had hoped to accumulate reserves saw their funds depleted.

At the outset several houses expressed the opinion that in a few years their funds would amount to considerable sums. They would then be able to discontinue contributions under the provisions that when any fund is sufficient to pay benefits for a period of two years contributions from employer and workers shall cease and shall be revived only when the fund has been depleted to an amount adequate for one year's benefits. Despite the general slackness two or three small sponging firms employing a few score of workers have been permitted to discontinue contributions under this rule. Since these firms sponge woolens for houses in different branches of the trade whose busy seasons do not coincide, they have a fairly even flow of work and can afford more regular employment than the industry at large. (See Chart 21, p. 73.)

TABLE 30.—Total receipts of unemployment funds May 1, 1923 to April 2, 1927, men's clothing industry, Chicago, Ill.

	Contribu- tions May 5, 1923-May 7, 1924	Contribu- tions first season, May 8, 1924-Nov. 5, 1924	Contribu- tions second season, Nov. 6, 1924-May 4, 1925	Contribu- tions third season, May 7, 1925-Nov. 4, 1925	Contribu- tions fourth season, Nov. 5, 1925-May 6, 1926
Board 1.....	\$403,071.58	\$155,484.54	\$155,440.18	\$118,104.02	\$140,868.50
Board 2.....	118,515.99	46,163.29	29,071.81	24,146.85	25,581.54
Board 3.....	178,945.30	64,725.66	59,378.20	44,270.78	43,183.31
Board 4.....	278,767.36	107,767.40	110,036.80	106,629.60	86,687.38
Board 5.....	135,522.46	55,288.52	45,139.52	48,060.88	53,021.98
Board 6.....	83,213.70	40,434.94	33,442.88	39,384.88	39,198.92
Total.....	1,196,336.39	469,864.35	432,509.69	381,096.71	391,841.63
	Contribu- tions fifth season, May 6, 1926-Nov. 3, 1926	Contribu- tions sixth season, Nov. 4, 1926-Apr. 2, 1927	Total contri- butions	Net income from funds	Total contri- butions and fund income
Board 1.....	\$127,506.87	\$86,251.21	\$1,186,725.90	\$17,473.73	\$1,204,199.63
Board 2.....	18,172.29	7,237.46	268,889.23	2,457.33	271,346.56
Board 3.....	37,367.31	18,126.74	445,997.30	4,018.50	450,015.80
Board 4.....	84,613.56	75,631.50	851,433.60	17,866.04	869,299.64
Board 5.....	51,302.52	35,624.84	424,261.02	7,853.39	432,114.41
Board 6.....	38,406.48	29,225.38	303,806.88	3,598.85	307,405.73
Total.....	357,368.03	252,097.13	3,481,113.93	53,267.84	3,534,381.77

TABLE 31.—Transfers to expenditure accounts May 1, 1923 to April 2, 1927, men's clothing industry, Chicago, Ill.

	To benefit account	To tem- porary cutters' account	To general office ex- pense	To equip- ment ex- pense	Total trans- fers	Balance in fund accounts
Board 1.....	\$851,164.96	\$40,628.39	\$77,057.00	\$7,053.43	\$975,903.78	\$228,295.85
Board 2.....	195,128.99	9,959.70	17,409.92	1,657.35	224,155.96	47,192.00
Board 3.....	364,600.00	0.00	23,667.81	2,744.55	395,812.36	54,203.44
Board 4.....	682,877.33	31,122.47	64,172.18	5,093.45	783,265.63	96,034.01
Board 5.....	352,850.62	14,173.38	27,576.97	2,662.29	396,063.26	35,421.15
Board 6.....	202,399.16	10,113.39	19,381.98	1,802.27	233,696.80	73,708.93
Total.....	2,648,449.26	105,997.33	224,165.86	20,913.34	2,999,525.79	534,855.98

TABLE 32.—Benefits to regular employees and temporary cutters May 1, 1923 to October 31, 1926, by seasons, men's clothing industry, Chicago, Ill.

Regular employees	First season, May 5, 1924-Nov. 5, 1924	Second season, Nov. 6, 1924-May 6, 1925	Third season, May 7, 1925-Nov. 4, 1925	Fourth season, Nov. 5, 1925-May 6, 1926	Fifth season, May 3, 1926-Nov. 3, 1926	Total benefits paid
Board 1.....	\$302,800.83	\$207,974.13	\$106,812.03	\$91,702.43	\$134,310.75	\$843,600.22
Board 2.....	83,220.55	53,969.62	19,020.13	15,879.26	20,198.14	192,287.70
Board 3.....	167,284.03	91,696.31	34,296.93	29,194.58	37,951.86	360,423.71
Board 4.....	197,657.98	142,825.39	124,292.52	109,786.82	87,495.41	662,058.12
Board 5.....	105,226.10	77,980.13	52,642.83	46,113.52	50,208.35	332,170.93
Board 6.....	51,188.34	47,066.84	27,753.37	30,538.13	41,807.33	198,373.51
Total.....	907,467.83	621,511.97	364,817.81	323,234.74	371,971.84	2,589,004.19
Temporary cutters..	37,850.20	41,292.27	16,191.94	8,328.57		103,671.98
Grand total....	945,327.03	662,804.24	381,009.75	331,563.31	371,971.84	2,692,676.17

TABLE 33.—Summary of receipts, expenditures, and balances as of April 2, 1927, men's clothing industry, Chicago, Ill.

<b>Receipts:</b>	
Total contributions.....	\$3,481,113.93
Net income from funds.....	53,267.84
Interest on benefit account.....	8,371.98
Interest on temporary cutters' account.....	373.52
Total.....	3,543,127.27
<b>Expenditures:</b>	
General benefits.....	2,589,004.19
Benefits to temporary cutters.....	103,671.98
Office expense.....	221,544.49
Equipment.....	20,920.34
Total.....	2,935,141.00
<b>Balances:</b>	
In fund account.....	534,855.93
In benefit account.....	67,817.05
In temporary cutters' account.....	2,698.87
In general expense account.....	2,614.37
Total.....	607,986.27

TABLE 34.—Deposits, expenditures, and balances in benefit accounts April 2, 1927, men's clothing industry, Chicago, Ill.

	General benefit account			Temporary cutters' benefit account		
	Total deposits	Benefits paid	Balance on hand	Total deposits	Benefits paid	Balance on hand
Board 1.....	\$851,164.96	\$843,600.22	\$7,474.74	\$40,628.39		
Board 2.....	195,126.99	192,287.70	2,839.29	9,959.70		
Board 3.....	364,500.00	360,423.71	4,076.29	0.00		
Board 4.....	682,877.53	662,058.12	20,819.41	31,122.47	\$103,671.98	\$2,698.87
Board 5.....	352,380.62	332,170.93	20,209.69	14,173.38		
Board 6.....	202,399.16	198,373.51	4,025.65	10,113.39		
Interest received.....	8,371.98		8,371.98	373.52		
Total.....	2,656,821.24	2,589,004.19	67,817.05	106,370.85	103,671.98	2,698.87

None of the firms in other groups have been able to take advantage of the provision. Although as yet the results in this direction are small, they give ground for hope that in periods of good business some of the best managed clothing firms would be able to claim temporary exemption from contributions.

On the other hand, if the funds in general should begin to accumulate, it seems probable that the union would press for more adequate benefit provision.

6. *Opinions concerning the plan.*—In the circumstances there can be little wonder that while few, if any, employers are hostile to the plan, the general employer attitude is one of apathy. They feel that the information supplied them regularly on the operation of their individual funds keeps them in touch with the trustee's office, and they express confidence in the administration, but there is little enthusiasm for the plan.

The union, on the other hand, is not apathetic. The union management feels that not only have the funds cushioned the deflation in the industry, but they have strengthened the position of the organization. It is stated in an editorial in the Advance that—

"The fund has brought relief to those who were in need of it. It has done more than that. It has consolidated the forces of our organization and extended its power. All unions fight for power. Only those unions achieve it, however, who know how to translate their victories and gains and defeats into institutions which conserve victories as well as the lessons learned from defeat. Our union has built its power upon organization, the one dependable foundation, and has consolidated its organization by developing a chain of union institutions, the union's power houses."

The general executive board of the Amalgamated Clothing Workers has summarized the union's experience with the Chicago agreement as follows:

"Unemployment insurance is a new form of insurance regarding which there is little experience. Both the nature and magnitude of the risk of unemployment are relatively unknown. It is, moreover, a type of insurance that should properly require a long period of accumulation. Everywhere during the long depression following 1920 unemployment insurance funds have been in distress and have protected their solvency by borrowing, or by State subsidy, or by reducing the rates of benefits and raising the rates of contributions. No large unemployment fund has, in other words, been strong enough to resist the ravages of the kind of depression the world has witnessed in the past six years.

"The principles underlying the Chicago plan have raised additional problems that are equally difficult to settle and that will only be settled after the further accumulation of experience. Except for the moneys collected from the contractors, which are pooled in a single fund, the remainder of the contributions are segregated into house funds. In every depression not all firms are equally hit. Some collapse completely; others keep going but suffer a large loss in business and a proportionately large volume of unemployment; while still others maintain a fairly high level of business activity and employment. This was the experience of Chicago. After a year's payment of benefits, some house funds were entirely depleted; some showed an insignificant reserve; while the reserves of a few remained substantial. This meant, of course, that benefits available for portions of the membership were greater than for others. As a practical measure, however, it would be difficult if not impossible to divert the funds of more prosperous firms to the payment of benefits to the employees of firms whose funds were exhausted. A further objection to such a procedure is that it might remove from certain manufacturers the incentive to regularize their business or to give greater employment. In the case of the cutters where a modification in the principle of the house fund was made by creating a market pool for the group of temporary cutters, the practice had in many instances the effect of holding in the industry a substantial number who might otherwise have left and found jobs elsewhere.

"One of the purposes of the unemployment insurance is to protect, so far as possible, the standard of living of the workers in the industry. The rate of benefit was therefore set as a fixed percentage of the average full-time wage of a worker. Thus both contributions and benefits in the Chicago plan vary with the earnings of an individual employee. This plan represents the popular choice of the members of the union. In other schemes benefits are paid at a flat rate and all contributing workers, regardless of the rate of their contribution, receive the same rate of benefits. Such a plan is naturally more popular with those whose earnings fall in a lower range. At present and probably for some time in the future, the prevailing system is likely to continue in Chicago, largely because the majority of the members of the union look for a rate of benefit in proportion to their rate of contribution.

"The Chicago system of unemployment insurance may be regarded as having passed the experimental stage. It is not likely to encounter soon industrial conditions more unfavorable than those it has already experienced. If not imme-

diately, anyhow the future holds the promise of a stronger fund paying more liberal benefits. In two other places, in the New York market and in the Nash firm in Cincinnati, the union already has agreements for the creation of unemployment funds. Their introduction waits only upon more favorable conditions. It is the policy of the union to extend unemployment insurance finally to all unionized clothing markets. As this is done, the plans elsewhere will benefit from the experience of the pioneer experiment in Chicago."

### LACE INDUSTRY

Joint agreements providing for the payment of unemployment compensation in some lace and lace-curtain factories exist in Scranton, Pa.; Philadelphia, Pa.; Wilkes-Barre, Pa.; and in Kingston, N. Y. The union signing the agreements is the Amalgamated Lace Operatives of America. The plan has never been operative on a national scale and not over 300 workers are covered by all of the local plans.

The Society of Amalgamated Lace Operatives of America was formed in 1893 out of local benevolent societies maintaining sickness and death benefits. The American Federation of Labor outlawed this organization in 1919 because of a conflict with the United Textile Workers, and the reorganized union then took the name of the Amalgamated Lace Operatives of America. One of the characteristic features of this union is the amount of local autonomy which exists.

The usual picture of irregular employment and prolonged depression is presented by this industry, as by other textile industries, showing exceptional need for stabilization measures. Style changes are a factor contributing toward instability.

Because of the degree of specialized skill required by the weavers and the fact that they dominate the industry because they perform key operations, this group of workers has sought protection against the hazards of unemployment not only by compensating for idle time, but by carefully restricting apprenticeship. This artificial restriction of the labor supply is aided by observance of the contract-labor law which permits the importation of skilled labor only in case there is a recognized shortage of a particular craft."

The relative immobility of skilled workers due to the fact that their skill is not easily transferable to other industries makes the union equally zealous in protecting them against arbitrary discharge. The shop committee investigates every case of discharge.

There have been certain technological improvements in these industries which consist chiefly of improvements in the finishing and preparatory processes, development of design, and new adaptations of the machine process. These technological changes have resulted in a greater variety of products and an improvement in quality.

Labor turnover of the skilled workers is low because such groups as the weavers find that the skill they have acquired is of little use in other industries. Few factories keep any records of turnover, but one Scranton factory estimates its yearly turnover is about 5 per cent."

An attempt is made to distribute work among the weavers as evenly as possible when work is slack, even if by such procedure each worker gets no more than two hours' work a day. If there is any work at all to be distributed no lay offs are permitted." Seniority is observed if lay offs become necessary. No overtime is permitted and there are no temporary workers.

There is a 50-hour week for the regular day men, 9 hours being worked on 5 days a week and 5 hours on Saturday. Day men on the double shift work 52½ hours a week and night men 45 hours. One shift usually works from 7 a. m. to 4 p. m. and the other from 4 p. m. to 1 a. m., alternating every week or every two weeks.

This report deals with the plans in Scranton and Kingston, each of which applies to one company only.

"Gladys Louise Palmer, Labor Relations in the Lace and Lace-Curtain Industries in the United States, Bulletin of the U. S. Bureau of Labor Statistics No. 899. Washington, Government Printing Office, 1925.

"Gladys L. Palmer, op. cit., p. 20.

"Ibid., p. 68.

### LACE INDUSTRY, KINGSTON, N. Y.

#### BACKGROUND

The United States Lace Curtain Mills in Kingston, N. Y., has a joint agreement with the Lace Curtain Operatives of America, Branch No. 8, to pay the weavers unemployment compensation when their earnings fall below \$15 a week. On account of depression in this industry and the consequent exhaustion of the fund, the firm and the union have been advancing loans for the payment of benefits for some time.

There is a 50-hour week, although the normal hours are 48 a week. When the plant is running at full capacity there are 22 weavers; in November, 1927, 15 weavers were employed.

There are normally about 150 employees in both factory and clerical departments.

E. F. Stiner, the president of the company, first promoted interest in the plan. In the language of one of the executives, the fund was "started on a shoestring," the firm contributing \$50 and the union contributing the same amount. The first contribution was made April 1, 1923, and benefits were first paid in November, 1923. For some time the fund has been exhausted, but it has been noted, benefits are paid out of loans advanced by both the company and the union. In December, 1927, the president of the company wrote, "One of the reasons that the fund became depleted was, as you state, that it had not been permitted to accumulate long enough to establish a large reserve. However, in the long run this has not mattered in the slightest. Conditions in our trade have materially improved; the fund is beginning to accumulate and has paid back to both the firm and the union approximately half of the amount that was advanced to keep the plant going."

#### PROVISIONS OF THE PLAN

1. *Source of fund.*—Fifty cents a week is contributed by each union member in good standing who earns over \$18 a week, and an amount equal to the total amount contributed by the operatives is deposited weekly in the fund by the company. The treasurer of the fund, to whom these amounts are entrusted, is the general manager of the plant. Funds may be deposited in a savings bank at the discretion of the board of managers.

2. *Eligibility for benefit.*—There is no prerequisite requirement of a stipulated length of service, but the training required of a weaver automatically takes care of this. Before a man can become a weaver he must first work as an apprentice for five years and on top of that spend three years learning weaving alone.

No waiting period is required before the paying of benefits, any weaver whose earnings fall below \$15 a week being eligible. If a weaver can not be provided with work by the company and secures temporary outside employment, he is not entitled to benefits while so working.

Unlike the Scranton plan, no benefits are paid in case the mill is shut down for any reason, but members who have to wait for orders, machine repairs, or tie-ups, which cause their earnings to fall below \$15 a week, have their wages supplemented up to that amount by unemployment compensation.

3. *Scale and duration of benefit.*—Members of the Lace Curtain Operatives of America, Branch No. 8, in good standing, are guaranteed a minimum wage of \$15 a week.

4. *Termination of plan.*—The by-laws governing the fund also provide that the fund may be discontinued at the option of "either the United States Lace Curtain Mills or Branch No. 8 of the Lace Curtain Operatives of America."

#### ADMINISTRATION

1. *Administrative body.*—A board of managers consisting of two representatives of the company and two of the union, appointed or elected annually, administers the fund. This board renders an annual report to both the company and the union.

2. *Payment of benefits.*—Any member who has not worked during the week must report for work, if required, up to Friday noon to receive benefits. Any member who has worked part of a week must report when notified.

A committee of two, consisting of the secretary of the Lace Curtain Operatives of America, Branch No. 8, and the treasurer of the fund representing the United States Lace Curtain Mills, decides on or before Wednesday of each week the amount of benefits to which each member is entitled for the preceding week. The committee then turns in to the board of managers the names and amounts on the following form:

\_\_\_\_\_, being a member in good standing in the joint out-of-work fund of the United States Lace Curtain Mills and Lace Curtain Operatives of America, Branch No. 8, in accordance with by-laws, articles 3 and 8, is entitled to the sum of \$\_\_\_\_\_, having earned but \$\_\_\_\_\_ for seven days ending \_\_\_\_\_, 19\_\_\_\_.

Approved by committee:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Unemployment benefits are paid by check in a separate pay envelope.

No funds are paid out without the signature of two members of the board of managers, one a representative of the company and one a representative of the union.

3. *Settlement of grievances.*—Appeals from the decisions of the committee are referred to the board of managers. If the members of this board disagree, the matter in dispute is referred to the shop foreman, whose decision is final.

While the above procedure is outlined in the by-laws governing the fund, as an actual fact all details of administration are handled by the general manager of the United States Lace Curtain Mills, who serves in the capacity of secretary and treasurer of the fund. The president of the company states that the firm "offered to allow the fund to be managed by the secretary of the local branch of the union," but they preferred to have the general manager of the plant handle it.

#### SUMMARY OF EXPERIENCE

Although the plant of the United States Lace Curtain Mills at Kingston was visited and the general manager interviewed, and although the president of the company was visited in his New York office, it was impossible to secure any statistical data. The reasons given by the president for not furnishing such data were that the fund had not been permitted to accumulate a sufficient length of time before benefits were paid, that there had been a prolonged depression in the textile industry which had exhausted the fund, necessitating, for the continuance of benefits, the firm's advance of loans to the fund as well as such advanced from the treasury of the union, that workers might read the report and "some one might feel that he had been discriminated against," and, finally, that because of the experience of this firm in being confronted by the discouragements of industrial depression, other firms might be dissuaded from undertaking unemployment compensation plans.\*

LACE INDUSTRY, SCRANTON, PA.

#### BACKGROUND

The Scranton Lace Co., Scranton, Pa., and Branch No. 3 of the Amalgamated Lace Operatives of America operate an unemployment compensation plan. In September, 1927, 80 of the 1,000 employees were eligible to unemployment compensation. Only weavers are eligible. This company manufactures curtains, colored draperies, and bedspreads. There is a 10-day vacation, office workers only being paid. The company has a club house and cafeteria for employees, medical service, and group insurance.

The only organized groups of workers are the weavers and an auxiliary union of boys in the shop.

The Scranton local of the Amalgamated Lace Operatives of America has operated an out-of-work benefit plan since 1915, when they deducted from their

\* Later the president of the company wrote (Dec. 23, 1927): "The reason statistical data was withheld was because, in my opinion, it was of no use and was strictly a private matter between our employees and ourselves."

general fund and deposited in an out-of-work fund the sum of \$500. From this fund they paid benefits amounting to \$6 a week, limiting the total annual amount anyone could draw to \$36. At first each member of the union had been assessed 50 cents a month for support of the fund, but in 1922 the assessment was increased to 50 cents a week.

The union had paid out in out-of-work benefits between March 1, 1915, and July 1, 1923, a total of \$3,687.41, having awarded 600 claims to an average membership of 62 members. During this same period members' dues had amounted to \$5,216.50.

The Scranton local branch of the union had suggested to the Amalgamated Lace Operatives of America, the national union, at an annual conference that all branches attempt to negotiate with the employers a joint unemployment compensation agreement. The Amalgamated subsequently had a conference with the manufacturers and a plan was drawn up. This plan was rejected by a referendum vote, whereupon the Scranton Lace Co. and Branch No. 3 (the Scranton local union) worked out and adopted a plan of their own, which was put into effect July 1, 1923.

The president of the Scranton Lace Co. states that "the immediate reason for the introduction of unemployment insurance was the desire on our part to have the weavers at our beck and call, and it would not seem fair in that event not to pay the weavers something."

The object of the plan as conceived by the union was to furnish an incentive to employers in the highly unstable lace industries to secure sufficient orders and keep their plants running, thus lowering the cost of compensation to them and at the same time furnishing greater security of income to the worker. The purpose of the company was to insure the retention of their weavers during periods of unemployment.

#### PROVISIONS OF THE PLAN

1. *Source of fund.*—The plan as proposed provided for contributions from both parties to the agreement amounting to about 2 per cent of the pay roll, a sum which it was estimated would cover the risk under ordinary circumstances. Each union member in the employ of the firm contributes 50 cents a week to the fund and the company contributes a sum equal to the entire contribution of such members.

2. *Eligibility for benefit.*—There is no prerequisite length of service before a weaver becomes eligible for unemployment compensation. Any weaver in good standing in the union becomes eligible when he has idle time due to waiting for orders, repairing of machinery, or tie-ups due to fault of management. He does not draw benefits in case of a strike or lockout, nor are benefits paid for vacations. A worker is not eligible for benefits if he secures work elsewhere during a period when the plant can not furnish him with work. The company, however, encourages workers to find such outside work in cases of prolonged shutdown.

There is no cumulative unemployment from week to week, each week standing on its own record.

3. *Scale and duration of benefit.*—A benefit of not less than \$15 a week is guaranteed to all members of the local branch union who are "in good standing," an operative earning less than \$15 having his wage supplemented to that amount. Anyone earning less than \$15 does not have to pay any contribution into the fund. The length of time during which benefits may be paid is not limited.

Sex and number of dependents do not affect the scale of benefit.

#### ADMINISTRATION

1. *Administrative body.*—Two representatives of the company and two representatives of the union constitute the board of managers which administers the fund. This board meets as a rule monthly on company time.

2. *Payment of benefits.*—A worker is required to telephone or report at the mill every day he is unemployed. The shop committee, after reviewing all applications, turns in weekly to the accounting department the names and amounts to be paid, on a stipulated printed form, in time for beneficiaries to be paid on Wednesday for unemployment of the previous week. Each check is signed by two members of the board of managers, a weaver trustee and a company trustee.

3. *Settlement of grievances.*—Appeals are referred to the board of managers, whose decision is final.

By-laws affecting the fund may be amended at any time if jointly agreed upon.

4. *Termination of plan.*—Provision is made to discontinue the fund, if so desired by either company or union, on condition that six months' written notice be given to the board of managers. The company and the union, in this case, would divide equally any balance left in the fund.

The weavers collect assessments directly, the check-off method not being used.

#### SUMMARY OF EXPERIENCE

The following out-of-work benefits have been paid during the life of the plan: July 1, 1923, to July 1, 1924: 56 claims amounting to \$711.84, an average of \$12.93 per member.

July 1, 1924, to July 1, 1925: 21 claims amounting to \$307.16, an average of \$14.63 per member.

July 1, 1925, to July 1, 1926: 107 claims amounting to \$1,328.20, an average of \$12.41 per member.

July 1, 1926, to July 1, 1927: None.

Since the adoption of the plan, the number of weavers has increased from 60 to about 80. During that period there has been comparatively little unemployment.

The company reports that during the life of the plan only two weavers have been discharged and the number of weavers laid off for lack of work has never exceeded six, and is generally only one or two a year. Labor turnover statistics for the weavers are not segregated, and data relating to discharges, lay-offs, and voluntary quits are not available.

The weavers' contributions to the fund amount to about \$160 to \$175 a month and the employers' contributions are the same. No special amount is stipulated as a maximum or minimum fund, but the firm estimates that the fund is "perfectly safe" when it reaches \$25,000, and in October, 1927, they stated they were "not far from that figure."

On September 18, 1927, the president wrote: "From the company's point of view we are very much satisfied with the experience of this plan. It makes the men very much better satisfied, and to-day if the mill should be shut down for any reason the 80 men would draw \$15 a week for probably six months. This would surely give them time to look around for other work. I can see no objection to it whatever from the company's point of view, and it certainly is a great help to the men."

#### CLOTH HAT AND CAP INDUSTRY

Although all the needle industries struggle with the jobber and the contractor problem, it is extraordinarily acute in the cloth hat and cap industry. In the other needle industries the jobber either handles one line of goods exclusively, or he has a sufficient amount of business in each of several lines to operate a factory himself or to employ one or more contractors who work exclusively for him. In the cloth hat and cap industry only a handful of cap jobbers in a city like New York find it possible to give steady employment to one or two contractors or to operate shops of their own. Contractors have to look for business from numerous jobbers, a situation which contributes to the instability of the trade.

The usual fluctuations of employment in the needle trades exist in the cloth hat and cap industry, and unemployment is most rife during the spring and early summer. (See chart 23.) The busy seasons in the retail trade are from May 15 to September 15 and from November 15 to March 30, and the jobbers' busy seasons are from July 15 to November 1 and from January 15 to May 1, but there is great irregularity of employment even during these months. It is the policy in all union shops to distribute work evenly during slack seasons, but this is not always possible.

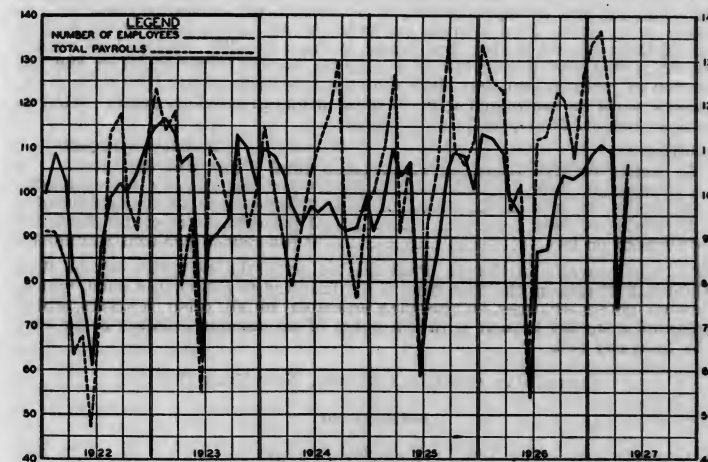
Not only is the cloth hat and cap industry extremely seasonal, but, because of the small capital required to launch a shop, it lacks both coordination and collective purpose.

As yet employers in the industry have made little attempt to adapt methods of production and distribution to the almost universal practice of hand-to-mouth buying and to meet other economic situations with the idea of stabilizing the industry. There is now a movement on foot among a group of legitimate though small manufacturers to organize an association for the maintenance of standards in the industry, as well as for group-buying of raw materials.

This movement originated in the latter part of 1926 and is receiving serious consideration from the Boston association and from a number of New York manufacturers.

Among the union suggestions for stabilization of employment are limiting the number of contractors and penalizing extreme seasonal expansion by increasing over-time rates and decreasing the maximum of hours permitted.

The cloth hat and cap industry extends throughout the country, and the Cloth Hat, Cap, and Millinery Workers' International Union has locals in all the large cities and in many small ones. The union selected the St. Paul local for the adoption of its first plan for unemployment compensation. Funds were established by joint agreement with employers in St. Paul in 1923; in New York, Philadelphia, and Chicago in 1924; and in Boston, Baltimore, Scranton, and Milwaukee in 1925. The millinery workers are not covered by any of these agreements. As it has been difficult for the general executive board to keep in touch with the operation of the unemployment funds in some of the



RELATIVE NUMBERS OF  
EMPLOYMENT AND AMOUNTS OF WAGES  
11 FIRMS IN THE CLOTH HAT AND CAP INDUSTRY,  
NEW YORK CITY DISTRICT.  
1923=100.  
JANUARY, 1922-JUNE, 1927.

local unions, it was in accordance with a recommendation of the board at the May, 1927, convention of the international union that a constitutional amendment was adopted requiring every local union to submit the constitution, by-laws, and amendments governing its unemployment fund to the general executive board. The board has declared the purpose of introducing a uniform system for all unemployment funds in the industry.

The following table shows the number of beneficiaries and the amount of benefits drawn in all markets from July, 1925, to March 1, 1927:

	Number of beneficiaries	Amount paid
New York Joint Council.....	2,895	\$127,813.00
Chicago Local No. 5.....	423	11,815.00
Philadelphia Local No. 6.....	194	13,676.00
Boston Local No. 7.....	224	11,220.00
Baltimore Local No. 8.....	42	2,307.00
St. Paul Local No. 10.....	67	5,000.00
Milwaukee Local No. 16.....	10	208.23
Scranton Local No. 22.....	45	3,867.95

Because of the origin of this plan in St. Paul, a brief reference to the experience there is given below. The New York plan, however, offers the best case for detailed explanation. It is typical of the plans of other markets with the exception of those operated in all but one shop in St. Paul.

#### CLOTH HAT AND CAP INDUSTRY, ST. PAUL, MINN.

When the plan was first installed in St. Paul, it was on the basis of a sliding scale whereby the employer in the first shop to inaugurate the fund deposited weekly with the union 5 per cent of this pay roll which was regarded as a guaranty of 48 weeks of full-time work. Failure to provide the 48 weeks was penalized by a sliding scale of forfeits depending upon the number of weeks of unemployment. In January, 1925, this firm entered upon a new agreement with the union, abolishing the old sliding-scale plan, and establishing a fund of \$3,000 to be paid unconditionally to the union's unemployment fund. This amount is approximately 3 per cent of the annual pay roll.

Other firms in St. Paul operate the fund on the sliding-scale basis, getting back all they deposit if they keep their workers steadily employed 48 weeks. They claim this plan has served as a stimulus toward better planning and the reduction of jobbing, and that since the plan was inaugurated they have given 48 weeks' work as contrasted with 40 to 45 weeks in previous years. What is known as the St. Paul plan is as follows:

Employment:	Forfeit of employers
43 weeks or less.....	Total 5 per cent deposited.
44 weeks or less.....	4 per cent, 1 per cent refunded.
45 weeks or less.....	3 per cent, 2 per cent refunded.
46 weeks or less.....	1 per cent, 4 per cent refunded.
48 weeks or less.....	0 per cent, 5 per cent refunded.

This plan prevails in the St. Paul market with the exception of the firm of Gordon & Ferguson, the first firm in the industry to establish a fund, which, as stated above, changed to the plan operated in all other markets which consists of a weekly deposit with the union of an amount equaling 3 per cent of the total pay roll.

#### CLOTH HAT AND CAP INDUSTRY, NEW YORK CITY

##### BACKGROUND

1. *Organizations.*—The New York employers' organizations are the Cloth Hat and Cap Manufacturers' Association, whose consumers are the retail trade, and the Wholesale Hat and Cap Manufacturers' Association, whose consumers are the jobbers.

The New York local union is the New York Joint Council of the Cloth Hat, Cap and Millinery Workers' International Union. The unions are exceptionally strong in this industry. The industry commands the service of an impartial chairman.

Union officials estimated that in December, 1926, there were about 2,500 members of the joint council in New York "in good standing" and, therefore, eligible for unemployment benefits. An estimate from another source was that there were less than 2,000 members in 1926, in comparison with 5,000 in 1921. As an example of disparity of opinion, a prominent union official claimed that in 1925 there were 3,000 union members, while the secretary of one of the manufacturers' associations said the number did not exceed 1,800, and that the union did not control over 50 per cent of the men's hat and cap industry.

Further difference of opinion is expressed as to the accelerating birth rate of contract shops. Some claim that the larger employers have encouraged their growth by farming out much of their work during rush periods, being later rewarded by having their trade stolen from them by the people to whom they had given work.

The fight tradition very largely prevails in this industry. There have been bitter strikes from time to time. The memory of sweatshops and grinding working conditions is still vivid, and the lack of constructive leadership among the employers has not helped toward a spirit of cooperation between employers and employees. Some of the larger employers have completely severed their connections with the manufacturers' associations because they do not wish to be allied with groups of whose viewpoints and conduct they disapprove.

Of the employers in the New York cloth hat and cap industry, the joint council of New York, representing union workers, says:

"It would seem that they are not sufficiently interested in the future of the industry to make a special effort to find out in what way it could be improved or to investigate whether a depression is temporary, owing to general industrial conditions or whether it is the result of specific causes affecting the cap trade only. \* \* \* The only solution such manufacturers can see is to take their profits from labor either directly through keeping wages as low and hours as high as possible, or indirectly through reducing the other standards of working conditions, such as payment for overtime and legal holidays or payment toward the unemployment fund."

2. *The unemployment compensation plan.*—At its May, 1923, convention, the United Cloth Hat and Cap Makers of North America (now called the Cloth Hat, Cap and Millinery Workers' International Union) adopted a resolution favoring the introduction of a system of unemployment compensation. At that time they appointed a committee to prepare a plan for the establishment of a fund. The resolution read:

All previous resolutions as well as the advice of the executive board agree that industry must give workers a chance to earn a living throughout the year, and that when an industry can not give its workers employment they are fully entitled to receive unemployment benefits at its expense.

"Under the existing social order workers are robbed of the opportunity of directing and controlling industry for the benefit of those who are engaged in it, and for the benefit of the consumer. The burden of unemployment for which the workers are in no way responsible should therefore not fall upon them.

"It is therefore the unanimous opinion of this convention that we declare in favor of having our organization cooperate with all organized labor, and especially with the needle-trades unions in the movement which strives to compel each industry to create an unemployment fund from which the unemployed will receive a wage in slack times, and that the cost of such a fund should be borne by the industry as are all other overhead expenses, as for example, expenses for advertising, salesmen, showrooms, offices, etc., and that the management of this fund should be solely in the hands of the organized workers of the industry."

A later resolution at the same convention urged that until "such time as the organization is able to force the industry to pay an unemployment fund for all of its workers," a fund should be established to which both the management and the union members should contribute, but that "the management of the fund shall under all circumstances remain in the hands of our organization."

This contributory plan, similar to that of the Amalgamated Clothing Workers of America, by which both the workers and employers were to contribute to the fund, was proposed by union leaders of the joint council of New York of the United Cloth Hat and Cap Makers of North America, but was voted down by the rank and file of union members on the ground that such a plan would have resulted in aggravating the already existing cut-throat competition, inasmuch as an employer would temporarily sell his product under cost in order to get more trade and thereby recover his unemployment compensation contribution.

A 2-year contract for unemployment compensation in the New York market was signed in July, 1924, after a strike lasting two weeks. The small-shop employers claim that the larger and more influential employers negotiated the plan and then severed their connection with the manufacturers' organization to which they belonged, paying their contributions to the fund as individual firms but taking no responsibility for collective action.

A fund was permitted to accumulate for 10 months—from September 12, 1924, to June 30, 1925—before any benefits were paid.

##### PROVISIONS OF THE PLAN

1. *Source of funds.*—The agreement between the manufacturers and the joint council of New York of the United Cloth Hat and Cap Makers of North America provided that every manufacturer should send to the joint council every pay day a sum equal to 3 per cent of the pay roll. The check of the employer was to be accompanied by a statement setting forth the names of the workers, the amount of wages paid to each, the hours worked, and the total sum of wages paid for that week.

Experience demonstrated, after a year and a half, that many employers were neither prompt nor accurate in sending in their checks and statements. As a

result of cumulative inaccuracies it was arranged to have the shop chairman in each shop send in every week a list of workers and the pay each actually drew.

The union's agreement with the Cloth Hat and Cap Manufacturers' Association of New York and with individual manufacturers stipulated that "employers shall not have any right, property, or interest in the funds accumulating from such payments." The fund was to be retained by the union, regardless of the number of weeks work provided. It was to be the exclusive property of the union and to be used for no other purpose than compensation against unemployment.

**2. Definition of unemployment.**—The definition of unemployment as given in the admirably clear and simple "Constitution and By-Laws of the Unemployment Insurance Fund" is as follows:

"For the purpose of this fund the term 'unemployment' shall signify involuntary unemployment only; that is, when a member is able and willing to work and is unemployed because of inability to find employment. Neither shall a member be entitled to unemployment benefit at times when he or she is on strike."

**3. Eligibility for benefits.**—To qualify for unemployment-compensation benefits a worker must have been a member of a local affiliated with the joint council for six months immediately prior to applying for unemployment benefit, and his dues must not be over four weeks in arrears when he applies. During this time he must also have worked in a shop having an agreement with the joint council on unemployment compensation. All wage earners who are operatives are eligible for benefits. If a worker quits without cause he is not allowed any benefit and during trade disputes which stop work no unemployment benefits are allowed.

**4. Scale and duration of benefit.**—A straight sum of \$13 a week is paid to men, regardless of wages, and \$9 a week to women. In the original agreement these sums were, respectively, \$10 and \$7. The change was made in the summer of 1926, although informally advised against by the impartial chairman, who strongly advised a large reserve fund.

No member may draw benefits for more than seven weeks during a year. There must be a waiting period of 44 hours of lost time before a worker is entitled to unemployment compensation. When the cumulated number of hours of unemployment totals 88, he receives a week's benefit. For every additional 44 hours of lost time up to the maximum of seven weeks, a week's benefit is paid. If a worker is unemployed less than 22 hours a week, his unemployed time is not registered. For 22 hours or more of unemployed time he is given credit. (Before December, 1926, this provision read: "More than 22 hours.")

**5. Termination of plan.**—There are no legal safeguards to insure the permanence of the fund. If the unemployment compensation clause is not readopted in each agreement, there is nothing to prevent its summary abandonment.

#### ADMINISTRATION

**1. Administrative bodies.**—(a) *Unemployment fund committee.*—Payments to the unemployment fund are deposited in the name of the unemployment fund of the joint council of New York and administered by a special unemployment fund committee composed of five members designated by a majority vote of the joint council at a special meeting at which at least two-thirds of all members are present. Only members and officers of the joint council and of the general executive board are eligible to membership on the unemployment fund committee. Members of the unemployment-fund committee are elected for a term of one year.

The constitution of the union requires the unemployment-fund committee to give an annual accounting, together with recommendations for modification. Such recommendations, if accepted by the joint council, must be ratified by the membership of the union before becoming effective.

(b) *Advisory board.*—The agreement of July, 1926, provided for an advisory board, consisting of the president and secretary of the association, the general secretary of the Cloth Hat, Cap, and Millinery Workers' International Union, the secretary of the joint council and the chairman of the board of adjustment (known as the impartial chairman). The purpose of the advisory board is to cooperate with the union and perform functions in connection with the unemployment fund not in conflict with the machinery already set up. It is

stipulated in the agreement that the chairman of the board of adjustment is to be afforded all facilities by the union to ascertain whether the letter and the spirit of the unemployment-fund provisions are being carried out.

**2. Payment of benefits.**—Workers register their applications for unemployment benefits on Fridays and are promptly paid on the date of application, their verbal report of the hours they have been employed being taken as the sole guide for the person who makes out the checks. An entry is made on the card filed in the office and on a duplicate card belonging to the worker recording the date, amount of benefit paid, and the number of hours of unemployment as stated by the worker. The plan requires that both employer and shop chairman send in lists to serve as checks of the worker's verbal statement, as well as to furnish records of wages for purposes of checking the employer's weekly contribution of 3 per cent. But such lists are not always sent and in any case they never arrive until after benefits are paid.

**3. Settlement of grievances.**—Appeals from decisions of the unemployment fund committee are taken to a meeting of the joint council, which notifies the unemployment fund committee and the appellant of the place and time when a special hearing will be held. When the joint council hears both sides it takes action on the appeal. At least a majority of all the members of the joint council must be present when such an appeal is taken up, and a two-thirds vote of all the members present is required in order to overrule the decision of the unemployment fund committee.

Unless the committee makes an individual exception, no one is permitted to register time lost more than two weeks before making his application. Records are no longer kept of complaints and adjustments, a verbal decision by the fund administrator to the complainant usually being the procedure followed.

**4. Employment service.**—Officials of the joint council register people out of work for the purpose of placing them when openings occur.

**5. Protection against malingering.**—The only protection against malingering is furnished by the fact that the clerks who pay out benefits know most of the workers in the industry and by checking card records of payments with lists which come in from shops after benefits are paid.

**6. Annual cost of administration.**—The expenses of administration for the year ending June 30, 1926, were \$7,158 or 9.9 per cent of the total costs which were \$72,541. For the year ending June 30, 1927, the expenses of administering the fund amounted to \$5,975, or 5.5 per cent of the total costs which were \$107,550.

#### SUMMARY OF EXPERIENCE

**1. Data for maximum-benefit period.**—Thirty-four per cent of the total number of beneficiaries from July 1, 1925, to June 30, 1926, were paid for a period of seven weeks or over. Of the amount paid out during this period 52.5 per cent was paid to people unemployed for seven weeks or more; 47.8 per cent of the total number of beneficiaries from July 1, 1926, to June 30, 1927, were paid for a period of seven weeks or over. Of the amount paid out during the same period 63.4 per cent was paid to people unemployed for seven weeks or more. (See Tables 35 and 36.)

The benefits paid to 508 workers unemployed seven weeks or more during the year ending June 30, 1926, amounted to \$34,342, while the benefits paid to 779 workers unemployed seven weeks or more during the year ending June 30, 1927, amounted to \$64,400. (See chart 24.) The change in the benefit rate partly accounts for this increase.

**2. Total weeks compensated and benefits paid.**—The total number of weeks of compensated unemployment during the year ending June 30, 1926, was 6,811, and the total number of weeks of compensated unemployment during the year ending June 30, 1927, was 8,512.

The total amount paid out in benefits during the year ending June 30, 1927, was \$101,575, as contrasted with the preceding year, when it was \$65,883. As there were only 133 more beneficiaries during the year ending June 30, 1927, than during the preceding year, much of the increase in total benefits may be accounted for by the change from \$7 to \$9 a week for women and \$10 to \$13 a week for men in the summer of 1927.

No unemployment compensation was paid during July and August and part of September, 1926, because of the strike which lasted several weeks and because there was a negligible amount of unemployment the remainder of that period, and the committee voted to suspend benefits. After the hiatus unemployment was computed from September 18 and payments resumed September

25. (See chart 25.) The records of weekly distribution for 1926-27 are not justly comparable with those of 1925-26 and can not therefore be used as a comparative measure of unemployment inasmuch as the rate of benefits was increased in December, 1926. (See chart 25.)

The fact that the number of unemployed during the summer months exceed that of the winter months is due to the annual recurrence of a strike during the summer. While strike benefits are paid, they do not come out of the unemployment fund, which accounts for the fact that while there is greater unemployment during the summer more benefits are paid during the winter. (See chart 25.)

3. *The fund.*—The funds contributed by about 200 manufacturers during the year ending June 30, 1926, amounted to \$78,605.71, which with the funds contributed previous to that year, amounted to \$165,207.61. During the year ending June 30, 1927, the manufacturers contributed \$91,079.22. The total amount of the fund, including interest, was \$169,366.98 on June 30, 1926. The deficit on June 30, 1927, for the fiscal year then ending, amounted to \$2,384.48.

TABLE 35.—Number of beneficiaries July 1, 1925, to June 30, 1927, cloth hat and cap industry, New York City

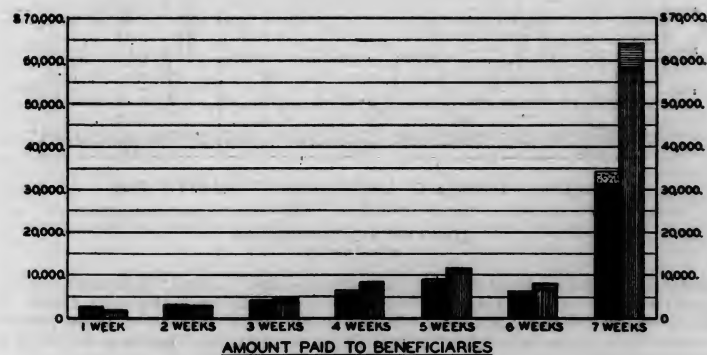
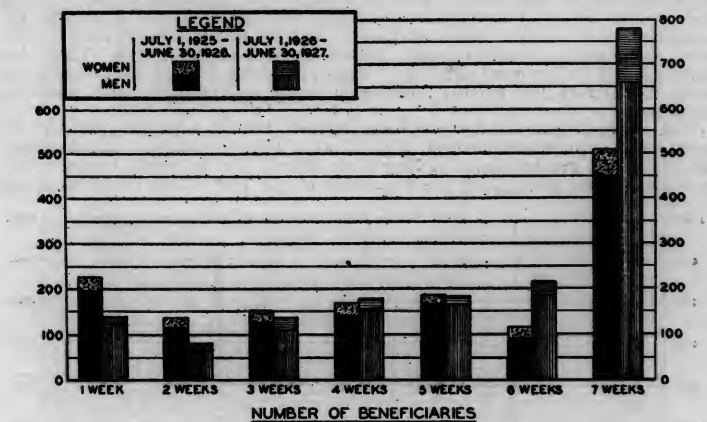
Period	Men				Women				Total			
	Year ending June 30—				Year ending June 30—				Year ending June 30—			
	1926		1927		1926		1927		1926		1927	
	Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent
1 week.....	197	15.3	121	8.8	31	14.9	18	7.0	228	15.3	139	8.5
2 weeks.....	114	8.9	82	5.0	24	11.5	15	5.9	138	9.2	97	6.0
3 weeks.....	126	9.8	110	8.0	25	12.0	31	12.1	151	10.1	141	8.7
4 weeks.....	144	11.2	132	11.1	22	10.5	19	7.4	166	11.1	171	10.5
5 weeks.....	163	12.7	162	11.8	27	13.0	25	9.8	190	12.7	187	11.5
6 weeks.....	93	7.2	87	6.3	21	10.1	27	10.5	114	7.6	114	7.0
7 weeks.....	450	34.9	658	49.0	58	28.0	121	47.3	508	34.0	779	47.8
Total.....	1,287	100.0	1,872	100.0	208	100.0	256	100.0	1,495	100.0	1,628	100.0

TABLE 36.—Amount paid to beneficiaries July 1, 1925, to June 30, 1927, cloth hat and cap industry, New York City

Period	Men				Women				Total			
	Year ending June 30—				Year ending June 30—				Year ending June 30—			
	1926		1927		1926		1927		1926		1927	
	Amount	Per cent	Amount	Per cent	Amount	Per cent	Amount	Per cent	Amount	Per cent	Amount	Per cent
1 week.....	\$1,970	3.3	\$1,543	1.7	\$217	3.4	\$158	1.4	\$2,187	3.3	\$1,701	1.7
2 weeks.....	2,280	3.9	2,093	2.3	336	5.3	256	2.3	2,616	4.0	2,349	2.3
3 weeks.....	3,780	6.4	4,209	4.7	525	8.2	817	7.3	4,305	6.6	5,026	4.9
4 weeks.....	5,760	9.8	7,763	8.0	616	9.7	670	6.0	6,376	9.8	8,433	8.3
5 weeks.....	8,150	13.8	10,434	11.5	945	14.8	1,097	9.8	9,095	13.9	11,531	11.4
6 weeks.....	5,580	9.5	6,693	7.4	882	13.9	1,442	12.8	6,462	9.9	8,135	8.0
7 weeks.....	31,500	53.3	57,610	63.8	2,842	44.7	6,790	60.4	34,342	52.5	64,400	63.4
Total.....	59,020	100.0	90,345	100.0	6,363	100.0	11,230	100.0	65,383	100.0	101,575	100.0

4. *Opinions concerning plan.*—It is evident in studying both the inception and the present operation of unemployment compensation in the cloth hat and cap industry that terms have been dictated by one group, and that group is the

union. This is due to the strength of the union. The resolution adopted at the 1923 convention of the United Cloth Hat & Cap Makers of North America has already been quoted. As one of the prominent union leaders expressed it, "Payments by employers to the fund are to be considered as an increase in wages, with the difference of collective payment through the union, rather than individual payment by the employer. The control and administration of



NUMBER OF BENEFICIARIES AND AMOUNTS OF UNEMPLOYMENT BENEFITS PAID CLASSIFIED BY NUMBER OF WEEKS' PAYMENTS RECEIVED IN THE CLOTH HAT AND CAP INDUSTRY OF NEW YORK CITY.

JULY 1, 1925 - JUNE 30, 1927

the fund must necessarily therefore be in the hands of the union." An editorial in the *Headgear Worker*, the official organ of the Cloth Hat, Cap & Millinery Workers' International Union reads:

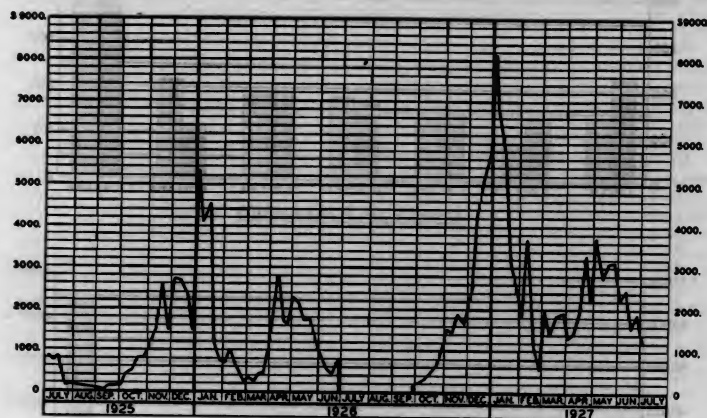
"The ownership, control, and management of the fund rest entirely and exclusively with the workers. Considering the payments to the fund as a kind of collective wages, it follows that the disposition of the fund must be con-

trolled by the workers only, without the manufacturers having any share in it."<sup>20</sup>

Another editorial in the *Headgear Worker* states:

"The truth is that unemployment benefits are more like strike benefits than sick benefits. In other words, unemployment benefits are not so much for relief as for help in the struggle. They are like strike benefits in that they try to prevent the demoralization in the ranks of the organization which usually comes in the train of unemployment, and that they are intended to strengthen the organized power of the union so that it may be better able to maintain its wage standards and achievements through periods of depression. They thus give organized labor more fighting strength and create for it more resistance in order that it may gain further increases in wages and improvements in general conditions.

"The struggle character of the unemployment fund is especially great in the needle trades, in which periods of slack work and of complete unemployment are one of the greatest evils, making it so difficult for the needle-trades unions to eliminate the remains of the sweatshop of old, and of the corporation and



WEEKLY AMOUNTS OF UNEMPLOYMENT BENEFITS PAID

JULY 3, 1925 - JULY 2, 1927.

CLOTH HAT AND CAP INDUSTRY  
OF NEW YORK CITY.

social shop, and creating huge obstacles in the fight on the 'scab nests' in the small towns near the large industrial centers. The unemployment benefit is therefore an important means of struggle in the needle trades to a much greater degree than in the general labor movement, and the fund becomes for them a struggle fund.

"It is this fighting character which is of the greatest significance in the unemployment funds of the needle-trades unions, and which explains why these unions were the first to raise the question and to make a serious effort to establish the funds. When all this is taken into consideration it must be clear that the participation of the bosses in the management of the unemployment fund would deprive it of a great, perhaps the most important, part of its significance to the union."

The obvious insistence of the union upon complete control of the fund has resulted in antagonism and ill will toward unemployment compensation on the part of some of the larger and most of the smaller employers. They claim that

<sup>20</sup> The *Headgear Worker*, July 24, 1925.

<sup>21</sup> The *Headgear Worker* (date uncertain, probably 1923 or 1924). This editorial is translated from the *Geschichte fun di Kloth Het, Kep un Millnerei Arbeiter*.

because there is no rebate for the employer who manages to provide fairly steady employment, he is in practice penalized for the remissness of less responsible employers in the trade. They also voice their suspicions of the use of the fund, saying they are not at all convinced the workers get what is intended for them and expressing conviction that the real aim of the union is to use the money for strike purposes. They express such suspicions to workers and arouse distrust among them. Because of these veiled charges, the advisory board, consisting of two representatives of employers, two of employees, and the impartial chairman of the New York market, was formed.

This board has not served to lessen suspicion and distrust. The purpose of the board is to investigate and report upon charges concerning the uses of the fund, but in January, 1927, the board had never formally convened, inasmuch as "no open charges had been launched." There was no apparent desire on the part of either unions or employers to have this board function constructively instead of serving as a mere grievance repository. The chairman of the advisory board, however, has on various occasions looked into the administration of the fund and has urged that the union's annual report be submitted to members of the association individually and collectively. Union officials say they do not send a copy of their unemployment insurance report to the employers because they "would not read a report if they had it."

Union officials state that during the first year of operation of the unemployment compensation fund, they had an average of about 10 complaints a week. These complaints were usually concerning dues and assessments or claims for unemployment benefits for time lost prior to the two weeks preceding application. Union officials claim the workers on the whole are well satisfied with their administration of the fund.

As for malingering, a certain amount of which one might expect in view of the manner in which benefits are paid out, clerks at union headquarters believe there is a negligible amount of it because there are so few workers in the industry and they are pretty well known to them. They say that in case misrepresentation is discovered the worker is severely reprimanded by the joint council and a deduction is subsequently made from any later unemployment benefit to which he may be entitled.

To the onlooker, pandemonium seems to reign at union headquarters on Fridays when people mull about trying to push and shove their way to the window where benefits are paid. When unemployment is acute and the number of beneficiaries consequently large, there is great confusion.

Although the books are open and invitations to employers to examine them have been extended on many occasions, union officials state that employers do not accept the invitations because they prefer to have a grievance. They claim also that this insistence upon being suspicious and uncooperative accounts for the almost universal charge of employers that workers do not like unemployment compensation and would prefer "straight pay increases." They say that the employers are eagerly hoping that the union will prove its inability to administer the fund unaided by them and are looking for the day when the scheme will fail and they can point to the fact that workers can not handle their own affairs. Employers declare that an evidence of the union's inability to handle unemployment compensation with foresight is the recent increase of benefits without sufficient surplus to warrant these increases. By the same token the union is convinced that it can get on without cooperation of the employers and makes no effort to obtain such cooperation.

Whatever may be the truth of these charges and countercharges, the fact remains that, although some of the larger employers express sympathy with the principle of unemployment compensation, even they are antagonistic toward the method of administering the fund in the cloth hat and cap industry. When they are the sole contributors to the fund they resent being completely shut off from any voice in the administration of it. As for the rank and file of the employers of this industry, they regard unemployment compensation as merely one more example of the tyranny of the union. They say it was "wrested" from them, that they never had any voice in the matter, and that they are frankly not in sympathy with it. It remains to be seen whether eventually discontent and lack of interest among the workers will be the result of the friction now existing between employers and the union in relation to unemployment compensation.

The deficit for the fiscal year 1926-27 gives some basis for a pessimistic outlook and time may demonstrate that the raising of the benefit rate in 1927 was an unwise move.

When 1,628 people out of approximately 2,500 eligible workers in the cloth hat and cap industry draw benefits for unemployment, it is evident that the fund is serving a large proportion of the workers.

### FUR INDUSTRY

Before the World War the great fur markets were London, Leipzig, and Paris, the United States and Canada being so dependent upon these markets as to send their raw furs to them to be manufactured and returned as finished products. But since the war the United States engages not only in marketing its raw furs here and in Europe, but in importing raw furs from abroad and reshipping them to Europe in a finished state. Announcement by the Bureau of Foreign and Domestic Commerce that it would organize a fur section to cooperate with the various branches of the fur industry in their domestic and foreign problems is an indication of the growing importance of the industry in American economic life.<sup>22</sup> New York City is now one of the great retail fur markets of the world and handles from 80 to 85 per cent of the United States fur trade.

At a convention of the National Association of the Fur Industries held in 1926, a resolution was passed in favor of changing the end of the fiscal year in the fur industry from December to March. The adoption of this change will bring about a more orderly marketing, a more regular demand, and, in preventing the present custom of dumping before the height of the season, will give the manufacturer the benefit of better prices. These things will obviously have a marked bearing on stabilization of employment.

The International Fur Workers' Union of the United States and Canada has locals in the following cities: Montreal, Winnipeg, Toronto, Philadelphia, Boston, Chicago, Cleveland, St. Paul, Minneapolis, Atlantic City, Washington, Newark, and Tuckahoe.

The only unemployment compensation plan ever considered was that proposed for the New York City market.

### FUR INDUSTRY, NEW YORK CITY, PROPOSED PLAN

#### BACKGROUND

1. *The industry—*a. Organizations.**—The employers' association in the New York market of the fur industry is known as the Associated Fur Manufacturers (Inc.).

The president of the Associated Fur Manufacturers' Association estimated in the spring of 1927 that there were about 450 employers belonging to this organization, and that from 80 to 90 per cent of the workers in the industry were employed by these 450 employers. He said there were about 2,500 "producers," in many cases workers who have started small shops with only one or two employees. They manufacture for the consumer and not for the retailer. Another officer of the manufacturers' association claimed there were from 3,000 to 4,000 producers, with constant shifting in and out of the trade. The New York City classified telephone directory of October, 1926, listed 4,149 firms under "furriers" but it is impossible to say how many of these firms are engaged in the various manufacturing processes of the fur industry. During the 1926-27 strike, 1,970 shops were involved, not including about 300 which, nominally, do not employ workers, but which consist of two or three "partners."

The union does not recognize firms or contractors employing less than five workers. It is stipulated in the agreement of 1924-1926 that:

"Members of the association may give work to an outside firm or contractor provided that such firm or contractor employs at least five workers and maintains contractual relations with the union."

The workers' organizations are the International Fur Workers' Union of the United States and Canada and the joint board of the Furriers' Union of

<sup>22</sup> The Index, New York Trust Co., New York, November, 1927, p. 5.

Greater New York, comprising locals 1, 5, 10, and 15. Local 1 consists of cutters, local 5 of operators, local 10 of nailers, and local 15 of finishers. Besides these locals under the joint board of the furriers' union, are the locals of the fur-dressing industry. There is a conference committee consisting of 11 members, 5 representing the association and 5 representing the union, and an impartial chairman who has the power to vote in case of a tie.

It was stated by an official of the joint board that the international has a membership of "nearly 13,000" and that 90 per cent of this membership is in the New York locals. He said it was difficult to get the truth concerning membership as there are always delinquents, but in the 1926-27 strike 11,760 fur union members in good standing in New York had registered. It was estimated that from 1,500 to 2,000 join the union every year and about the same number leave the industry annually.

The executive board of the International Fur Workers' Union leans toward the right wing of the workers in the fur industry, and the joint board of the Furriers' Union of Greater New York leans toward the left. During and after the long and violent strikes of 1926-27 much bitterness was engendered between the two groups and altercations continued for months. The lefts claimed they had the rank and file with them and they took command of local headquarters. The International Fur Workers' Union, backed by the American Federation of Labor, expelled the "communist" chiefs and their followers in the camp of the joint board, but the latter refused to be expelled, claiming they were defending themselves against autocracy and bureaucracy and that the international was attempting to confuse the issue and win the approval of the public by terming them communists.

(b) *Conditions in the industry.*—The fur market never has been demoralized beyond the usual business cycle. Wages are comparatively high. The industry, though a small-shop industry, is too much of a guild trade to have sweat-shop conditions.<sup>23</sup>

The busy season in the fur industry is usually regarded as extending from the second Monday of September to the fourth Monday of December. Work is extremely irregular, and union officials claim the administration of an unemployment compensation fund would be full of difficulties in view of the fact that about 65 per cent of the workers are unemployed during the first six weeks of the year and 2,000 or more are unemployed from January to July. It is said that about 70 per cent of those who are employed from January to April hold between three and four jobs during this period, and from May until October about 60 per cent do the same. It is further stated that about 30 per cent of those employed between January and April hold from 5 to 10 jobs, working a few days here and a few days there. Union officials in the fur industry claim there is greater irregularity of employment in this industry than in any other needle trade.

At the conference on June 10, 1926, called to discuss the settlement of the strike, it was stipulated that hours of work were to be "40 per week; 5-day week" and that overtime was forbidden "except that during the months of September, October, November, and December manufacturers are permitted to work four hours on Saturday, single time to be paid for such hours." Penalties are imposed on both employers and workers who violate the agreement concerning overtime.

There are 10 holidays, 7 with full pay; New Year's Day, Lincoln's Birthday, Washington's Birthday, Decoration Day, Independence Day, Columbus Day, Labor Day, Election Day, Thanksgiving Day, and Christmas.

The agreement of 1924-1926 reads:

"Equitable division of work shall be carried out wherever possible during the months of June, November, and December for those who have worked with the firm not less than seven consecutive weeks prior to the period when equal division of work is begun in each establishment."

It has been customary to restrict apprenticeship rigidly in order to keep down the number of workers and thus aid in preventing unemployment for those already in the trade, but at a meeting in Cooper Union in February, 1927, it was asserted by the conservatives that "the radicals had given membership cards to hundreds of young Communists who were not fur workers and that the new members were displacing veteran fur workers of 20 and 30 years

<sup>23</sup> Benjamin Stolberg, The Collapse of the Needle Trades, The Nation, May 18, 1927, p. 534.

in the trade." This, it was said, was in violation of the "new agreement binding the employers not to take on additional apprentices."

Some of the agreements with individual firms state that "no worker is permitted to work at more than one craft." Versatility is thereby discouraged.

The rule and custom of the industry is that a worker who is discharged before the end of the week shall be entitled to a full week's wages, and that failure to notify a worker of his discharge on or before the last working day of a week shall entitle him to a full week's compensation for the following week. No worker, by the terms of the agreement made following the strike of 1926, may be discharged in a week preceding a holiday week.

**2. History of proposed plans.**—In the agreement negotiations of the spring of 1924 the New York joint board of the International Fur Workers' Union proposed a plan for unemployment compensation. This plan was in general modeled after that of the Amalgamated Clothing Workers of America.

The manufacturers did not agree to the plan in detail, although they did in principle. The collective agreement of 1924 between the Associated Fur Manufacturers and the joint board of the International Fur Workers' Union stated:

"The establishment of an unemployment fund is agreed to in principle.

"A committee shall be created to prepare a tentative plan to carry out this principle, such plan to be ready within one year.

"Experts shall be engaged to work out the plan."

A committee was appointed to prepare a tentative scheme for such a fund, and Dr. B. M. Squires, chairman of the trade boards of the Chicago men's clothing industry and chairman of the board of trustees of the unemployment compensation funds, was engaged to work with the committee.

After intensive study of the problems of unemployment in the fur industry the Squires committee submitted a plan to the conference committee.

On the acceptance of this plan by the conference committee in February, 1925, it was submitted to the manufacturers' association and to the union. The former approved of it and engaged a lawyer to draw up legal safeguards, as in the amalgamated plan. The joint board or left-wing group, which came into power about April, 1925, refused to ratify it.

Briefly, then, experts had been engaged in accordance with the agreement, a plan had been worked out, the conference committee had adopted the plan, a legal draft had been submitted by the attorney for the manufacturers' association on the basis of the draft made by the conference committee, and the joint board had postponed consideration of that legal document until the expiration of the agreement.

The minutes of the conference committee of July 8, 1925, read:

"The association (manufacturers) requested information about the legal draft of the unemployment fund agreement which was submitted through the chairman of the conference committee on April 24, 1925. On behalf of the union it was stated that the locals are considering the matter and that in due time a reply will be forthcoming."

In December, 1925, the union submitted "14 points" in their proposed agreement. One of these points was to the effect that the unemployment compensation fund was to be maintained by employers alone and administered by the union alone. The employers resented this proposal, and the left wing of the union would consider no compromise which would savor of class collaboration. The hope of installing a plan of unemployment compensation faded away in the smoke of battle over the entire agreement of June, 1926, and this one of the "14 points" was sacrificed for other points regarded as more important.

The story of the abandoning of a plan for unemployment compensation after all the time and attention given to it is, therefore, a mere episode in the chapter relating to the fur workers' bitter strike of 1926-27.

Some of the present individual agreements represent ideals which the union can not put through in the form of a collective agreement. One of these reads:

"It is further agreed that, in the event of an unemployment emergency arising in the industry, and the conference committee functioning under the collective agreement between the Associated Fur Manufacturers (Inc.), the Fur Trimming Manufacturers' Association, and the Joint Board Furriers' Union, evolves and devises a plan for the relief and mitigation of such unemployment, that plan shall be binding upon the parties to this agreement."

#### PROVISIONS OF THE PLAN

The provisions of the plan proposed by the New York joint board of the International Fur Workers' Union in the negotiations of 1924 were as follows:

1. The employers and the workers shall jointly and equally maintain an unemployment fund.

2. The workers shall pay 2 per cent of their earnings to the maintenance of the fund. The employers shall contribute an equal amount from their weekly pay roll. The contributions from the workers shall be collected through the employer.

3. Unemployment benefit shall be paid to the unemployed contributing employee beginning with the third week of unemployment. The number of weeks' benefit to the unemployed contributing member shall not exceed eight weeks during a period of one year.

4. The amount of benefit shall be 25 per cent of the average wages of the contributing employee, and in no case shall the benefit exceed \$20 per week.

5. To be entitled to unemployment benefit one must be a member of the union not less than one year, and six months in good standing prior to the time of receiving benefit, and shall have contributed to the fund for not less than seven and one-half months.

6. Payments toward the establishment of the fund shall begin on May 1, 1924.

7. The fund shall begin to pay benefit to unemployed contributing employees after May 1, 1925.

8. Workers who have not contributed to the fund shall not be entitled to benefit.

9. The expenditures to be incurred for the administration of the fund and for the conduct of a labor bureau shall be defrayed from the income of the fund, and shall not exceed 5 per cent of the moneys collected during the year.

10. The fund shall be administered by a joint committee of seven, three to be appointed by the association, three by the union, and one appointed by the conference committee. The details of administering the fund shall be worked out by this committee.

11. A labor bureau shall be established under the supervision of the joint administration committee.

The following plan was submitted to the conference committee by Doctor Squires and the committee appointed to propose a plan for unemployment compensation:

1. Commencing not later than February 1, 1925 (on a date to be agreed upon) each worker in the fur manufacturing industry comprising crafts under the jurisdiction of the union shall contribute 1½ per cent of his weekly wages to an unemployment insurance fund. Each member of the Associated Fur Manufacturers shall deduct this amount weekly from the wages of each of his employees coming under the terms of the collective agreement and forward the same to the board of trustees hereinafter provided for.

(It is the sense of the conference committee pursuant to the terms of the collective agreement that a market fund controlled by one board of trustees with a neutral chairman with jurisdiction over all firms in contractual relations with the unions be established. The trustees shall have authority to use the association labor department and the Joint Board of Furriers' Union, its agencies, to collect the funds when its own force is unable to collect the amount due. That the association obligates such assistance for its own members and the union obligates such assistance for firms not members of the association and in contractual relations with the union.)

2. Commencing on a date even with that agreed upon for workers, each member of the Associated Fur Manufacturers shall contribute weekly an amount equal to that contributed for the same period by all workers in his employ and forward the same to the aforesaid board of trustees.

3. The union obligates itself to require all firms with which it has contractual relationship in greater New York, but which are not members of the

\*At the meeting of the conference committee held Feb. 18, 1925, these recommendations were considered and some slight alterations were made before the plan was accepted by this committee. Parentheses inclose additions made by the conference committee and underlining indicates omissions.

Associated Fur Manufacturers, to execute an identical unemployment agreement and to observe its provisions. The union undertakes to see to it that contributions of such firms and the contributions of their employees, together with the records required by the trustees are forwarded to the trustees weekly as provided by the agreement. The trustees designated by the union and the Associated Fur Manufacturers, including the neutral chairman, shall serve as trustees for nonassociation firms and the agreement with such firms shall so read.

4. Prior to the date on which contributions are to be paid, the trustees will furnish each employer without cost blank forms on which certain pay roll information essential for the administration of the fund is to be entered. These forms, together with the contributions, are to be mailed to the trustees each week on the same day that the workers are paid their weekly wages.

5. A board of trustees in which (three representatives each) the union and the Associated Fur Manufacturers shall have equal representation and (in addition) which shall include a neutral chairman selected by said union and association shall be constituted to administer the fund.

6. In the administration of the fund the trustees shall be empowered to secure necessary office space and clerical or other assistance. The expense of administration and the expense of inaugurating the plan are proper charges upon the fund.

7. Benefits to workers shall not be paid before the expiration of one year from the date effective for the payment of contributions.

8. No worker shall receive benefits who has not been a member of the union in good standing for one year and whose first contribution was not made one year prior to the first claim for benefit.

9. No worker shall be entitled to the full benefits hereinafter provided who has not contributed to the fund for a period of (30 weeks) six months and in whose behalf employers have not contributed like amounts, for the same period.

10. Benefits paid to any worker shall not exceed 25 per cent of his average weekly wage (earned) and in no case shall exceed \$15 per week.

11. The number of weekly benefits paid to any worker shall not exceed six in any one year.

12. No benefits shall be paid for unemployment except that occurring between the dates, December 15 of any year and June 15 of the following year.

13. Before being eligible for benefits a worker shall be unemployed in the industry for a period of four weeks, to be regarded as a waiting period for which no benefits are to be paid.

14. No benefit shall be paid for unemployment that directly or indirectly results from strikes, stoppages, or other cessation of work in violation of the trade agreement now in force between the employers and the union.

15. The above or other provisions when accepted by employers and the union shall be embodied in a legal agreement to be executed sufficiently in advance of the date for the payment of contributions to assure that the Board of Trustees will be constituted and that arrangements will be made for the safeguarding of contributions and the keeping of necessary records.

16. The conference committee and/or subcommittee thereof shall constitute an advisory committee (or committees) to recommend to the trustees on such matters as short-time (part days or part weeks) employment, overtime as an offset to unemployment, benefits (if any) to be paid to workers who have not contributed for a period of six months or who withdraw from the industry, and other matters upon which the trustees may desire recommendations. The trustees shall have authority to modify the provisions of this agreement except as to the rate and amount of contributions by workers and employers, the form of trusteeship, and the dates on which contributions and benefits are to be paid. It is expected that any such modifications will be based on careful investigation and consultation and will be for the purpose of better serving the intent of the parties to the agreement and the conservation of the fund.

17. Nothing in this agreement or in the rulings of the trustees shall be construed as modifying the terms of the collective trade agreement (appertaining to wages and working conditions.)

18. The unemployment agreement shall be dated to expire February 1, 1926, this being the date of expiration of the collective agreement referred to above.

19. At the termination of the unemployment agreement and in the event of failure to renew, the trustees shall have the legal power and duty to hold and

dispose of the fund in such manner as will best carry out the spirit and purpose of the agreement, but in any event the fund shall never be used for any purpose which could be construed as enabling, aiding, or encouraging either party to carry on labor warfare.

20. Provisions to the same effect for dealing with the fund in case of failure to renew the agreement shall be drafted for disposing of the fund in case of the dissolution of the union or the dissolution of the association.

21. The union will endeavor to the limit of its ability and financial resources, with due regard to local conditions, to secure like unemployment agreements in the entire industry in the country.

The provisions of the plan recommended by the left wing of the joint board in December, 1925, were a direct reversal of this plan in that they embodied the ideas of contributions solely by employers and administration solely by the union.

#### OPINIONS CONCERNING PROPOSED PLANS

It was evident in talking with employers who had served with Doctor Squires on the committee appointed to look into the matter of unemployment compensation, that they had gained understanding of and sympathy with the idea of protecting the worker during periods when he was idle through no fault of his own. However, they objected strenuously to any plan which would exclude them from a part in the administration of the fund. They expressed great distrust of the union, claiming the officials were subject to bribery and corruption, that they had no systematic method of keeping books, and that there would be no security of funds. They also said they were convinced the union wanted sole administration in order to use the money as a strike fund.

An employer who had served on the committee said that, while they had no actuarial data to use as a basis and while the inauguration of unemployment compensation in the fur industry would have been more or less a plunge in the dark, nevertheless they were willing to take the plunge and take employers in general were favorable to a plan modeled after that of the Chicago men's clothing industry. It was realized that any plan would have its difficulties, not the least of which was the fact that the union had no control over department store fur departments and many producers, and consequently no records of the workers in these places were obtainable by union headquarters. In such cases a worker might be employed in one of those unregistered places and, because of no record of his activity at union headquarters, he might claim and receive unemployment compensation. In these cases the employer would be paying nothing into the unemployment fund while employers who had agreements with the union would be carrying all the burden. In spite of all the recognized difficulties, however, many employers would have favored the plan proposed by Doctor Squires and his committee.

The result of the extreme demands of the union after the strike of 1926-27 was that employers who had become favorably inclined toward the establishment of an unemployment fund grew antagonistic to the very idea of unemployment compensation. One of the largest employers in the industry said:

"At first I was a proponent of the scheme. I had made a thorough study of the whole matter with Doctor Squires and was thoroughly in sympathy with the idea as a fair and just one. I was convinced the worker should not be considered an object of charity when the industry had slack periods and the worker could not have work. But the radical and preposterous demands of the union have transformed me from a proponent to an opponent of unemployment insurance."

As for the attitude of the union, there is a great disparity of viewpoint between the left and right wings of the fur workers. As has been stated, the demand for unemployment compensation was first formulated by the right wing or more conservative element of the union, but subsequently, during the strike of 1926-27 the left wing made what the employers regarded as unreasonable demands. Prominent officials in the International Fur Workers' Union say their union not only backed the original proposal of the conference committee, which was unfortunately allowed to lie dormant until the left wing got control of the locals, but that they are still in favor of it.

Some of the union officials of the left wing who oppose joint administration of an unemployment compensation fund justify their stand on the basis of their claim that employers can not be trusted in reporting overtime, and that

they therefore have no reason to believe that they would distribute unemployment compensation with fairness. One official said, "They would claim, in cases of dispute, that a worker was not entitled to benefit and would refuse to take our recommendations when we investigated circumstances." The union heads believe that it would bring dissension among union members instead of loyalty to the union, because members would blame union officials for suspecting them of malingering and for the red tape of bureaucracy which would enmesh them if a joint administration plan were put into effect. In other words, union administrators would prefer, according to this official, to be the sole judges of eligibility to benefits, without any check-up by the employer.

Judging from the present state of internal dissension in the fur industry, it is not probable that the subject of unemployment compensation will assume a position of any importance in the near future.

### TRADE UNION OUT-OF-WORK BENEFITS

#### NEW YORK TYPOGRAPHICAL UNION NO. 6

*Background.*—The International Typographical Union of North America represents one of the oldest union organizations in the country. Dating from the first decade of the nineteenth century, this union was organized from a national union in 1852. New York Typographical Union No. 6, itself, holds a charter dated 1850. Previous to this time printers were organized in friendly societies. Horace Greeley was the first president of the New York local.

The membership of "Big Six" consists of composers, operators of type-setting and type-casting machines, proof readers, machine tenders, and other composing-room employees in the commercial and newspaper printing industry, and numbers more than 10,000 in Manhattan, Brooklyn, and Richmond Boroughs. The "chapel" list of 1927 included 405 printing establishments in this area, all of which operate under union agreement.

In New York City there are 2,125 commercial-printing establishments, the majority of which are small. In the commercial shops alone New York employs 32,000 men and pays wages of \$60,000,000. The total New York production is valued at \$200,000,000.\* Printing is New York's second most important industry and nearly one-fourth of the printing of the United States is produced there.

The employers' association dealing with New York Typographical Union No. 6 are the Printers' League section of New York Employing Printers' Association (Inc.) and the Newspaper Publishers' Association of New York. The relations between the union and these associations are unusually free from rancor, as the tradition of conciliation and arbitration is firmly established in the printing industry. This does not mean that strikes have not blotted the pages of the history of the printing industry in New York, but, relatively speaking, there is a remarkable inclination in this industry to "get around the table" and attempt to reach reasonable solutions of the many intricate problems which arise from time to time.

The hours of work are 44 a week for day workers and 40 for night workers, the former working an 8-hour day and four hours on Saturday and the latter working eight hours five nights a week. A few shops give vacations with pay, but this is by no means a common practice.

Apprenticeship in this industry is carefully regulated and great interest and pride are evidenced in connection with the justly famous apprentice schools supported by the union and the employers.

Seniority rules are observed in laying off workers during slack seasons.

Technological improvements resulting in the temporary displacement of hand workers have consisted chiefly in the introduction of the linotype machine and various subsequent improvements on it. However, the great increase in advertising due to keener competition, together with the cheaper cost of magazines and books due to the introduction of machinery and to a constantly growing demand, have so increased the need for workers that the volume of employment has steadily mounted.

In general, the printing industry is not seasonal. Fluctuations in employment rarely amount to more than 10 per cent within the year. Skilled employees are often retained on the pay roll even during slack periods, because the employers wish to have their skill available when needed.

\* Printing Industry Here Faces Grave Problems. New York Times, Aug. 14, 1927.

The paying of out-of-work benefits dates from 1831 when the Typographical Association of New York paid \$3 per week to unemployed single members and \$4 per week to unemployed married members. It was stipulated that in order to receive this benefit a member must make an effort to secure employment and must be willing to accept "honorable employment when offered to him."

New York Typographical Union No. 6 was formed in 1850 as the successor of several other typographical organizations. During the panic of 1857, a relief committee met daily and distributed out-of-work benefits until the worst depression was over. When there was a depression in the trade in 1873, the union donated a sum to assist "deserving unemployed printers" and recommended that work be distributed as evenly as possible. In 1885 and 1891, work was restricted to a certain number of days in order to facilitate such distribution of work. In 1893, at a time of acute unemployment on account of the wide displacement of hand labor by composing machines and also on account of the general industrial panic, the board of delegates assessed all union members 10 per cent of their weekly earnings in excess of \$10 and a relief committee disbursed benefits. In 1894, the assessment was changed to 5 per cent on all wages over \$10.

On January 18, 1896, a committee was chosen to prepare a "durable out-of-work benefit scheme" which went into effect on April 5.

This scheme had the following features:

1. Assessment of 1 per cent collected weekly. When a surplus of \$2,500 was reached the contributions were to be suspended. When the fund was reduced to \$500 they were to be renewed.

2. Membership in the union for one year was a requirement for eligibility. An entire week of unemployment was another requirement.

3. No applicant could receive over \$4 a week nor more than 4 payments in any 6 weeks nor more than 15 payments in any year, except in the case of a member over 60 years of age who had been a member of the union for 20 consecutive years who would be entitled to regular weekly relief during unemployment.

4. Superannuated members and inmates of the home were to be paid from the out-of-work fund.

5. Charges were to be preferred against any member who attempted malingering.

6. The disbursing of benefits was to be under the supervision of the relief committee.

In explaining its recommendations, the committee said it had "endeavored to eliminate all semblance of charity from the fund and make the payment of relief a constitutional right, to which each member is entitled."

Farm projects were an important means of relieving unemployment for a couple of years after 1897.

When the constitution was revised in 1899, the duties of the relief committee were transferred to a benefit board of five members. A benefit clerk to act as secretary of this board was provided for.

On July 24, 1907, out-of-work relief measures were repealed by the union and final benefits were paid on August 13 of that year.

The reasons for this abandonment of out-of-work benefits are frankly stated by one of the prominent union members. He says:

"Insurance against unemployment would seem to be as necessary as any other of the benefits discussed. But there seem to be greater difficulties in the equitable distribution of a fund for this purpose than arise in the handling of the others. The stumbling block is invariably to be found in the fact that some men become parasites, being disinclined to work in any case and making no pretense at all of seeking employment when they are assured even so small an allowance as an out-of-work fund can afford. My own local union has had considerable experience in the maintenance of such a fund, and that experience was in great measure discouraging. We found that a number of men drew in each year the full amount that was permitted under the laws regulating the fund, and that these men could best be described as 'panhandlers.' The abuse in our case eventually became so flagrant that the fund was abolished, upon the report of an investigating committee to the effect that the majority of beneficiaries belonged to this dissolute class."

\* George A. Stevens, Study of a Modern Trade Union and Its Predecessors, New York Typographical Union No. 6. Prepared under the direction of John Williams, commissioner of labor of New York State. J. B. Lyon Co., Albany, 1913, pp. 112-113.

\* A. J. Portenar, Organized Labor, The Macmillan Co., N. Y., 1912, pp. 73-75.

From 1907 to 1916 there was nothing to take the place of the "durable out-of-work scheme" of 1896, and when unemployment became acute "special out-of-work benefits," ranging usually from \$5 to \$15 according to individual need, were voted from time to time by the union. The benefit board investigated each case to prevent imposition. Money for payments was secured by assessing members 0.5 per cent on all earnings.

Apparently stress was laid on helping members to find work, for in the Monthly Bulletin of the union for October 1, 1908, the following resolution appears:

"A resolution having for its object assisting members out of work to find employment.

"Resolved, It shall be the duty of every chairman under the jurisdiction of this union to file with the secretary-treasurer of the union \* \* \* at the same time that returns are made of dues and assessments, a statement of the conditions, so far as the amount and character of work and the opportunities to find employment are concerned, in the office that he represents \* \* \*. And it shall further be the duty of all chairmen to notify the foreman in the offices where they are employed that requests for help may be filed with the officers of the union in the manner set forth in this resolution."

During 1914 the industrial depression was felt acutely in the printing trades and a special assessment was voted. This consisted of 1½ per cent on all earnings and 5 per cent on all earnings over \$10 a week. Besides the money thus collected, the sum of \$8,500 was withdrawn from other funds for out-of-work benefits. The total amount collected was \$26,870. The union officers explained: "This extra assessment is for the purpose of relieving the distress existing in the craft owing to unusual trade conditions, and is to continue for one month."

Because of the difficulties faced during 1914 and 1915, the president of the union at the June, 1915, meeting was instructed to appoint a committee to devise means for the establishment of "a permanent unemployment fund."

This committee's report, which was discussed at the August, 1915, meeting, recommended the establishment of a regular fund to be designated the "Unemployment Insurance Fund," and benefits of \$4 a week for 13 weeks. The fund was to be maintained by an assessment of 1 per cent on all earnings. Provision was to be made for automatically reducing the assessment to 0.5 per cent whenever the sum of \$15,000 was reached. When it became \$7,500 assessments were again to be raised to 1 per cent.

The committee made a worthy attempt to base their plan on actuarial data, but reported: "There are no data upon which anything better than a vague approximation can be made." However, they studied the statistics of English unions which had paid unemployment compensation for many years and arrived at the conclusion that 5 per cent of the membership of the union was a "reasonable average to assume as likely to be out of employment."

The committee reported: "Nobody can tell from the books of the union how many men are unemployed at any given time. The best that can be secured are figures showing how many members have not paid assessments in a stated period." Various estimates were made from such figures, and the following statement appears in the report:

"After conference with members of the union, we found a powerful sentiment in favor of an unemployment insurance fund if disbursements could be properly guarded, and if the abuses which disgraced the former out-of-work fund could be avoided. \* \* \* The committee desires particularly to draw attention to regulation E, under which we are confident that none but deserving members will obtain the benefits."

Regulation E provides that a beneficiary prove that the assessments he pays are based on actual earnings "in the regular course of employment." The committee, as a further prevention of possible abuses, took from the benefit board "all right to depart from regulations laid down."

The purpose in establishing this separate fund for out-of-work benefits was stated by the committee as follows:

"The member out of work must be taken care of for reasons both of fraternity and business. We have hitherto endeavored to discharge that duty in a haphazard way, disastrous to the finances of the union, unsatisfactory to the mem-

<sup>1</sup> Monthly Bulletin, New York Typographical Union No. 6, Nov. 1, 1914.

<sup>2</sup> Monthly Bulletin, New York Typographical Union No. 6, Aug. 1, 1915.

<sup>3</sup> Ibid.

bership at large, and humiliating to the recipients. It is time that we placed this duty on a basis which will enable the self-respecting member to get what his self-respecting brother is perfectly willing to give him. \* \* \* Under the circumstances in which the money has hitherto been distributed no benefit board, no matter how honest and well-intentioned, could entirely resist the pressure brought upon it. It is the belief of the committee that the union desires to do justice to its unemployed and that it prefers to do it through the action of a well-considered law rather than by spasmodic benevolence."

It was made clear that there was to be no semblance of charity about the fund and that the payment of relief was a "constitutional right, to which each member is entitled."

While this report was not accepted by the union, it served as a basis of discussion, and after some months a plan was evolved which, with but few modifications, is in operation to-day.

#### PROVISIONS OF THE PLAN

##### 1. Source of funds.—The fund is established in the following manner:

"A fund for relief of unemployed members shall be provided by an assessment of one-half of 1 per cent for a period of 26 weeks, during the months of April, May, June, July, August, and September. This fund shall be disbursed by the benefit board during a period of thirteen weeks, from June 15 to September 15, the board having power to make such rules to govern the expenditures of this fund as it may deem wise. *Provided*, that no more than \$25,000 of the amount raised by this assessment shall be expended for out-of-work relief in any one year. *Provided further*, that \$10,000 per annum shall be taken from this fund for the maintenance of the School for Printers' Apprentices of New York. Any surplus thus remaining shall be transferred to the general fund."

It should be noted that the relief fund is drawn upon for other purposes, and it is therefore obvious that it can not be considered as purely an unemployment compensation fund.

2. *Definition of unemployment.*—A man must be out of work an entire week to be entitled to out-of-work benefits. If he is out of work only a day or so, he gets no benefit. On the other hand, if he works only one day in a week, he may apply to the benefit board, which rules on each individual appeal. This board meets every Thursday night and considers all such appeals.

A man can not receive less than a day's wages, even though he may work only half a day.

##### 3. Eligibility for benefit.—Eligibility for benefit is defined as follows:

"To be entitled to receive local benefits a member must have been in continuous good standing for one year and complied with all the provisions set forth in the constitution and by-laws and such other rules and regulations as this union may adopt in relation to payments thereof."

4. *Scale and duration of benefits.*—Originally the out-of-work benefits of this union were given the year round according to need. In 1916 they were applied to the 13 weeks between June 15 and September 15 on the ground that there is a good chance of getting employment at other times of the year. The regular weekly benefit up to 1907 was \$4. Special out-of-work benefits varied from then until the fund was established. In July, 1916, the benefit per week was \$5. In June, 1919, it was increased to \$6, and in June, 1920, to \$7. Again it was increased in June, 1921, to \$10; in June, 1925, to \$12; and in July, 1927, to \$14.

Benefits may not be paid for more than 7 weeks out of the 13, and may be drawn for not more than four consecutive weeks, after which there must be a waiting period of two weeks before any more may be drawn.

The receipt of unemployment benefit does not exempt a member of the union from paying dues.

#### ADMINISTRATION

1. *Administrative body.*—The administration of the fund is in the hands of the benefit board which consists of five members appointed every two years by the president of the union. This board meets at headquarters every Thurs-

<sup>1</sup> Monthly Bulletin, New York Typographical Union No. 6, Aug. 1, 1915.

<sup>2</sup> Constitution and by-laws of New York Typographical Union No. 6, Mar. 21, 1926.

Constitution, Art. VIII, sec. 7.

<sup>3</sup> Constitution and by-laws, op. cit., Art. XI, sec. 1.

day night and considers matters relating to various forms of benefits. It has the right to prefer charges against any member who attempts to obtain benefits through fraud and it hears appeals in case of any dispute.<sup>3</sup>

The secretary of the benefit board, known as the benefit clerk, maintains order and discipline in the employment bureau, which is open daily (except holidays) from 8 a. m. to 5 p. m., except on Saturdays, when it closes at noon; keeps a daily register of all applicants for benefits; and furnishes the secretary-treasurer with a monthly report of his disbursements and expenses for publication in the Monthly Bulletin.<sup>4</sup>

2. *Payment of benefits.*—The union's system of bookkeeping in relation to out-of-work benefits is simple. An unemployed man comes to headquarters and signs in a loose-leaf ledger some time between the hours of 9 and 11 in the morning or 1.30 and 4 in the afternoon. He must personally sign on five consecutive days (excepting Saturday) in order to be entitled to benefit. His signature is accepted as bona fide proof that he is out of work.

The union does not put pressure on a man to accept employment for only a day or two when this is unacceptable to him on the ground that it prevents his drawing unemployment compensation.

At the end of the fiscal week, which is from Thursday to Wednesday night, the book is collated and names and dates are transferred to a card record, each man having an individual card. He is paid his benefit on Friday if he has five consecutive signatures in one fiscal week.

The following is the record kept for each individual drawing out-of-work benefits:

[Front of card]

OUT-OF-WORK-FUND RECORD, 1926

Name _____	Reg. No. _____	Assessment \$ _____
Week ending—		
June 16, \$12.	Received payment _____	
June 23, \$12.	Received payment _____	
June 30, \$12.	Received payment _____	
July 7, \$12.	Received payment _____	
July 14, \$12.	Received payment _____	
July 21, \$12.	Received payment _____	
July 28, \$12.	Received payment _____	
August 4, \$12.	Received payment _____	
August 11, \$12.	Received payment _____	
August 18, \$12.	Received payment _____	
August 25, \$12.	Received payment _____	
September 1, \$12.	Received payment _____	
September 8, \$12.	Received payment _____	

[Back of card]

OUT-OF-WORK FUND RECORD, 1926

Name _____	Red. No. _____
Check (✓) denotes signed full week Thursday, Friday, Saturday, Monday, Tuesday, Wednesday.	

	Exempt		Exempt
June 16 _____	X	August 4 _____	X
June 23 _____	X	August 11 _____	X
June 30 _____	X	August 18 _____	X
July 7 _____	X	August 25 _____	X
July 14 _____	X	September 1 _____	X
July 21 _____	X	September 8 _____	X
July 28 _____	X		

3. *Settlement of grievances.*—In the present constitution and by-laws of the union, the machinery for decisions and appeals is outlined as follows:

"Section 1. When the chairman makes a decision on the laws of the union or scale of prices, his decision shall be binding until reversed by the chapel; if

<sup>3</sup> Constitution and by-laws, Art. 11, sec. 27.  
<sup>4</sup> Ibid., Art. X.

further appeal is desired it must be taken first to the president of the union; if further appeal is desired it must be taken to the executive committee, and finally to the union; but each decision is binding and must be observed until reversed.

"Section 2. When a decision of the president is appealed from, a brief must be submitted to the executive committee. Notice of appeal must be presented to the secretary-treasurer of the union, also the names and addresses of all parties interested, at least 48 hours before the committee meeting. The secretary-treasurer shall then notify, at least 24 hours before the committee meeting, all parties in interest to be present, and no case shall be heard unless all the interested parties have been duly notified. All decisions of the executive committee must be complied with until reversed by the union in open meeting.

"Section 3. Notice of appeal from decision of the executive committee to a meeting of the union must be given at least 24 hours before said meeting to the secretary-treasurer, and all parties interested, by the appellant. In no case shall an appeal be considered by the union unless notice thereof has been given as provided above.

"Section 4. In case of appeal against the action of this union, its decision must be complied with in the interim; provided, that should a verdict of censure, reprimand, suspension or expulsion be adopted, it shall not be enforced against the convicted prior to the decision of an appeal, in case such an appeal be taken, except in cases of deliberate "ratting"; and in all cases involving a demand for dues and assessments, or other moneys, the amount in dispute must be placed in the hands of the president of this union, to be held by him until the appeal has been finally decided."

4. *Distribution of work.*—An overtime law was enacted by the union in December, 1896. As a means of minimizing unemployment the union requires every member of the chapel, except the general foreman and the foreman of each shift, in every plant employing members of Typographical Union No. 6, who accumulates eight hours' overtime, to cancel this overtime by taking a day off for every eight hours of overtime accumulated and to put on a substitute not later than the end of the financial week following the week in which the overtime was accumulated.

Elaborate and detailed Interpretations of the Operation of the Overtime Law were issued in pamphlet form on January 16, 1925. The union is very strict in demanding that forms provided for records of overtime be carefully filled out by chairmen in all union shops and sent to the employment bureau.

5. *Provisions against malingering.*—No checking up to detect malingering is done, even when it may be suspected, because union officials claim they do not wish to place themselves in the position of spy or "cop." Moreover, they do not wish to discourage applicants by undue suspicion, because many union members are hesitant about applying for benefits on the ground that they would be recipients of charity. A thorough investigation is made in case there is any reason for suspecting malingering, however.

SUMMARY OF EXPERIENCE

Records of out-of-work benefits up to 1907 include also payments made to "superannuated members of the inmates of the Home," hence the amounts paid out in those years are not in any way comparable with amounts after 1907. The total unemployment and old-age benefits disbursed from October 1, 1893, to August 13, 1907, amounted to \$520,645.25, and the yearly totals show a steady increase during this period. (See Table 37.)

The total benefits paid out from "special out-of-work" funds from the time regular benefits were discontinued in 1907 until an unemployment fund was established and during the years the regular fund has been in operation through 1926, amounted to \$185,010.09. It is evident that the fund was of especial use during the depressions of 1914 and 1920-21. (See Table 38 and chart 26.) In 1921 the industrial depression had become so acute that unemployment benefits ranging from \$7 to \$20 were paid from January to June, after which the regular benefit of \$10 was paid during the 13 summer weeks of that year.

The union made a detailed analysis of out-of-work benefits for the 12 summer weeks of 1916, and found that the greatest number of people drew benefits during the early part of July and the early part of September. The largest number of beneficiaries, 122, drew benefits for seven weeks. The next largest number, 109, drew benefits for only one week. (See Table 39.) In 1926 the number of beneficiaries was 388, as against 528 in 1916.

<sup>1</sup> Constitution and by-laws, op. cit., Art. X.

Amounts of benefits paid can not be said to reflect unemployment in the industry at all accurately. Many members do not apply for out-of-work benefits even though entitled to them, and the figures are affected by the numerous occasions when the rate of benefit was increased, as well as by the fact that at certain times they include benefits paid for other purposes than out-of-work compensation. Strike benefits, for example, are often entered in the records as "out-of-work benefits."

TABLE 37.—Unemployment and old age benefits disbursed October 1, 1893, to August 13, 1907, New York Typographical Union No. 6

Year ending September 30—		Year ending September 30—	
	Amount	continued.	Amount
1894	\$18,259.04	1903	\$44,510.86
1895	17,779.05	1904	45,458.12
1896	25,365.20	1905	50,385.80
1897	30,211.70	1906	54,701.69
1898	35,169.24	10 months, plus, ending	
1899	37,274.13	Aug. 13, 1907	40,039.56
1900	40,323.65	Total	520,645.25
1901	40,451.46		
1902	40,715.75		

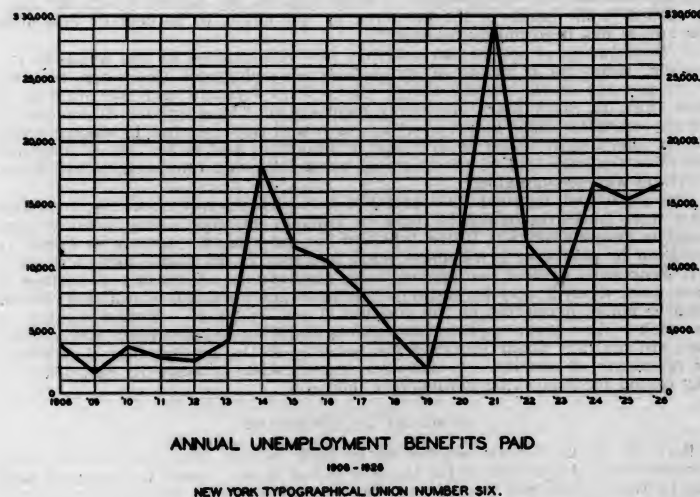


TABLE 38.—Annual out-of-work benefits, New York Typographical Union No. 6

Year	Amount	Union membership, December of each year	Year	Amount	Union membership, December of each year
1908	\$3,951.92		1919	\$1,994.00	8,309
1909	1,725.30		1920	12,145.00	8,891
1910	3,843.00		1921	29,480.00	9,020
1911	2,933.00		1922	11,994.00	8,959
1912	2,673.15		1923	8,750.00	9,205
1913	4,184.85		1924	16,690.00	9,276
1914	18,009.08		1925	15,336.00	9,677
1915	11,653.79		1926	16,431.00	9,881
1916	10,505.00		1927		10,225
1917	8,010.00	7,635			
1918	4,720.00	7,874	Total	185,010.09	

TABLE 39.—Disbursements from the out-of-work fund during the period June 15 to September 15, 1916, New York Typographical Union No. 6

June 23, 114 members drew	\$570
June 30, 144 members drew	720
July 5, 187 members drew	935
July 12, 191 members drew	955
July 19, 170 members drew	850
July 26, 131 members drew	655
August 2, 171 members drew	855
August 9, 146 members drew	730
August 16, 151 members drew	755
August 23, 130 members drew	650
September 2, 187 members drew	935
September 9, 208 members drew	1,040
September 15, 171 members drew	855
Total	10,505

Duration of benefits for same period:	
109 members drew (1 week)	545
70 members drew (2 weeks)	700
57 members drew (3 weeks)	855
73 members drew (4 weeks)	1,460
47 members drew (5 weeks)	1,175
50 members drew (6 weeks)	1,500
122 members drew (7 weeks)	4,270
Total	10,505

Source: Monthly Bulletin, New York Typographical Union No. 6, November 12, 1916.

Union officials are not enthusiastic about joint agreement plans for unemployment compensation, saying frankly that the union prefers to handle benefits, thus preventing them from entering the class of "employers' bounties." They regard benefits as one way of making the union attractive and of keeping in close touch with members. One of the officials expressed his disapproval of any plan which would lead to joint administration by saying it would "short circuit the contacts." Another said union officials would not care to have their decisions concerning the granting of benefits subject to check-up by employers.

As for the attitude of employers toward a joint agreement plan of unemployment compensation, the Secretary of the employers' association said that such a method of compensating for unemployment had been under discussion from time to time, but had been unpopular because the employers did not like the idea of "exposing" their pay rolls to their competitors.

It has been impossible to interest the union in voting for larger contributions unless assessments are pictured as furnishing "relief" instead of providing protection or compensation. As contributions have been increased from time to time and benefits have become larger, union members have become more interested than they were when benefits were small.

Union officials are satisfied that the purpose in establishing a regular fund for the systematic paying of out-of-work members has been achieved. They claim that they now do what they set out to do when the old haphazard method of paying "relief" in varying sums to members out of work was supplanted by regular benefits, that is, they distribute benefits "through the action of a well-considered law rather than by spasmodic benevolence." Moreover, by carefully guarding the fund, they have been able to contribute from it \$10,000 a year toward the support of the apprentice school, and to buy the building which houses their present offices.\*

\*As the material on trade-union out-of-work benefits was being sent for duplicating the February, 1928, issue of the American Federationist was received containing information as to the unemployment relief activities of international unions (pp. 189-197). Additional information for local unions will be given in the same magazine.

### PROPOSED LEGISLATION AND REPORTS OF GOVERNMENTAL COMMISSIONS ON COMPULSORY UNEMPLOYMENT INSURANCE

#### HISTORICAL BACKGROUND

Compulsory unemployment insurance has been widely discussed in the United States during the past 15 years in Federal, State, and municipal law-making bodies, and before various public and private commissions, associations, and committees. No legislation, however, has yet been passed, and therefore no statutes, Federal, State, or local, exist.

Available information indicates that 15 bills in 6 different States have been introduced since 1915. Practically the same bill has been introduced at successive sessions in Minnesota, New York, and Wisconsin. The dates of introduction of the bills follow:

State	Number of bills							Total
	1916	1921	1922	1923	1925	1926	1927	
Connecticut.....	1						1	1
Massachusetts.....			1					2
Minnesota.....				1	1			3
New York.....		1				1	2	4
Pennsylvania.....		1						1
Wisconsin.....		1		1	1		1	4
Total.....	1	3	1	2	2	1	5	15

#### FEDERAL COMMISSIONS AND RESOLUTIONS

National bodies have given attention to the question in two instances. The United States Commission on Industrial Relations (1912) recommended the investigation and preparation of plans for insurance against unemployment "in such trades and industries as may seem desirable." In February, 1916, Meyer London, representative from New York, introduced a resolution (H. Res. 159) in the first session of the Sixty-fourth Congress "for the appointment of a commission to prepare and recommend a plan for the establishment of a national insurance fund and for the mitigation of the evil of unemployment." Hearings on the resolution were held on April 6 and 11, 1916, before the Committee on Labor of the House of Representatives. Various representatives of insurance, social legislation, research, and labor groups appeared before the committee. The bill was killed in committee, but the hearings were of considerable interest as portraying the policy of the various groups which appeared before the committee. Rufus M. Potts, who submitted his preliminary report to the social insurance committee of the National Convention of Insurance Commissions as an exhibit before the House committee, went on record in favor of a national social insurance system of which unemployment insurance would be an integral part. Dr. I. M. Rubinow, executive secretary of the social insurance committee of the American Medical Association, appearing at the request of the national office of the Socialist Party of America, testified that:

"Social insurance is demanded by the socialist movement because it presents at the present the most effective, and perhaps only effective way of solving the problem of destitution of present-day society without waiting for the more radical changes which we are certain must eventually come."

Mr. Gompers, representing the American Federation of Labor, was opposed to the creation of a commission to study compulsory insurance, but said:

"I would have them investigate the subject of social insurance of voluntary character and how far it can be established in the United States with such aid as the Government can give. I am more concerned, as I have tried to indicate, with the fundamental principles of human liberty and refusal to surrender rights to governmental agencies, than I am with social insurance."

<sup>9</sup> United States. Commission on Industrial Relations. Final report, 1916, Washington, D. C. (64th Cong., 1st sess., S. Doc. 415, vol. 2, p. 1160.)

<sup>10</sup> United States Congress. House of Representatives. Committee on Labor hearings before 64th Cong., 1st sess., on H. Res. 159, Washington, D. C., Government Printing Office. Apr. 6 and 11, 1916. Commission to study social insurance and unemployment. Statement by Dr. I. M. Rubinow, pp. 36-37.

<sup>11</sup> Hearings, 1916, op. cit., statement of Mr. Samuel Gompers, president American Federation of Labor, p. 172.

The attitude of Mr. Gompers was further reflected in the Report of the Proceedings of the Thirty-sixth Annual Convention of the American Federation of Labor (1916) which commented on the London resolution and other compulsory social insurance bills which had been introduced in various legislatures, as follows:

"This resolution was introduced without consultation with the responsible representatives of the wage earners of the country \* \* \*. During the past year persistent agitation in favor of compulsory social insurance has been carried on. The agitation originated with an organization that is neither responsible to wage earners nor representative of their desires. It is very significant of the attitude and policy of those who have legislation of this class in charge that the measures they have drawn up were formulated without consultation with the wage earners and introduced in legislature with professional representatives of social welfare as their sponsors. The measures themselves and the people who present them represent that class of society that is very desirous of doing things for the workers and establishing institutions for them that will prevent their doing things for themselves and maintaining their own institutions."

The stand taken by Mr. Gompers and the American Federation of Labor in 1916 has been typical of the policy pursued since that time by organized labor. Generally speaking, the American Federation of Labor, both nationally and locally has been apathetic toward compulsory unemployment insurance, along with all forms of social insurance, but has stressed the advantage of voluntary unemployment insurance paid through local unions.

#### STATE AND MUNICIPAL COMMISSIONS

*New York.*—A commission was appointed in New York under chapter 518, laws of 1909, to inquire into employers' liability and other matters; in the course of this inquiry the causes of unemployment in city districts and lack of farm labor were investigated. The commission's report commented on the Ghent system of unemployment insurance as follows:

"Insurance against unemployment through labor organization is commendable but we are not prepared to recommend legislation on this phase of the subject. In the absence of any exact information regarding average time lost in different trades, such insurance must rest on an uncertain basis. Only when full information becomes available will the question whether the United States can safely imitate Belgium in encouraging trade-unions to insure members against unemployment come within the field of practical politics."

The question of unemployment was referred to a special committee. W. M. Leiserson was attached to this committee as a special investigator and accompanied by George A. Voss, chairman, made a trip to study the situation in European countries. In the report of this committee, it was stated:

"Insurance against unemployment can not be considered in the State of New York until we have much more accurate information than we now possess as to the amount and the duration of idleness in various trades. Then, we should have to have a means of testing a person's statement as to inability to get work. With the exception of the cigar makers, none of our national trade-unions have any out-of-work benefits and aside from labor organizations we have no other agency in this State which might act as an effective means of applying a work test. Until we establish an exchange for labor and compile carefully statistics of the supply and demand, we can have no adequate basis upon which to predict a successful system of insurance against unemployment."

*California.*—The Commission of Immigration and Housing of California consisting of Simon J. Lubin, president; Right Rev. Edward J. Hanna, D. D., vice president; Mrs. Frank A. Gibson; Arthur H. Fleming; Paul Scharrenberg; and George L. Bell, attorney and executive officer, on January 28, 1914, was directed by Gov. Hiram W. Johnson to study the problem of unemployment. A report on unemployment, dated December 9, 1914, was issued as a supplement to the first annual report of the commission. The first recommendation was

<sup>12</sup> American Federation of Labor. Report of the proceedings of the Thirty-sixth Annual Convention, Washington, 1916. Social Insurance, p. 144.

<sup>13</sup> New York (State). Commission appointed under chap. 518 of the laws of 1909 to inquire into the question of employers' liability and other matters. Reports to the legislature, Albany, N. Y. J. B. Lyon Co., Apr. 26, 1911. Third report: "Unemployment and lack of farm lands." "Insurance Against Unemployment," p. 13.

<sup>14</sup> Ibid., "Remedies," p. 66, Appendix 1.

the establishment of State employment bureaus under the direction of a commission.

In connection with the creation of such bureaus, the commission reported: "Furthermore, the data gathered by such an organization would supply the material upon which we could build an intelligent judgment as to the practicability of unemployment insurance. A labor exchange is a necessary concomitant of an insurance scheme, enabling men to be placed in jobs with the least possible delay. For the same reason, it supplies the work test during periods of depression for those claiming public aid."<sup>12</sup>

The commission commented on unemployment insurance specifically as follows:

"For the worker in seasonal trades, and in fact for all who labor for a wage, we suggest unemployment insurance, though we are not prepared to recommend any particular form. The success of this State in handling industrial-accident insurance is one argument that warrants our looking more deeply into the whole field of social insurance. We urge that your Excellency designate some existing board or commission to investigate this subject thoroughly, to report, say in two years. Data supplied by the proposed bureau of labor exchanges would be of inestimable value in any such investigation. We commend to your attention the experience of England and certain continental countries, particularly Denmark and Belgium, which has invented the Ghent system of subsidizing labor unions to conduct the machinery for unemployment insurance."<sup>13</sup>

*Chicago.*—In 1914, the Chicago Municipal Markets Commission reported to the mayor and aldermen:

"The city of Chicago should shift the burden and the cost of unemployment which can not be prevented by well established and efficiently conducted municipal employment bureaus, part or short time work, and public works for unemployed, so that such cost will fall indirectly upon the general public through the establishment of a system of public insurance for the unemployed. Unemployment insurance would at least see that the rent of the unemployed wage earner is paid and in this way prolong the wage earners' power of resistance against final extremities of privation and want."<sup>14</sup>

#### LEGISLATIVE PROPOSALS TO AUTHORIZE THE UNDERWRITING OF UNEMPLOYMENT INSURANCE

Various bills have been introduced legalizing the underwriting of unemployment insurance by authorized insurance carriers. A bill (A 397) of this character was last defeated in New York in 1927. However, in 1915, two laws were passed in Michigan authorizing the formation of mutual insurance companies among certain industrial groups for the purpose of insurance resulting from discharge or retirement. Act 37 permitted five or more railway conductors, railway engineers, and railway officials to organize such companies and act 39 allowed the same privilege to seven or more conductors, engineers, and motormen on steam and electric railways.

#### HISTORY OF PROPOSED LEGISLATION

Fifteen bills on compulsory unemployment insurance have been introduced since 1915 in six State legislatures—namely, Connecticut, Massachusetts, Minnesota, New York, Pennsylvania, and Wisconsin.

*Connecticut.*—The 1927 bill was introduced by Representative Steiber, a member of the Socialist Party, on January 26, 1927, and was frankly an attempt to put forward the program of this group. A hearing before the judiciary committee was held on March 4; an unfavorable report from the committee was made on March 10; on the same date the bill was rejected in the house, and on March 15 it was rejected in the senate.

*Massachusetts.*—Considerable attention has been paid to the unemployment problem in Massachusetts. An exhaustive study was made in 1895 by a com-

<sup>12</sup> California. Commission on immigration and housing. Report on unemployment, San Francisco, 1914. p. 16.

<sup>13</sup> *Ibid.*, p. 20.

<sup>14</sup> Chicago. Municipal Markets Commission. Report to the mayor and aldermen by the . . . on a practical plan for relieving destitution and unemployment in the city of Chicago. Chicago, 1914. Unemployment Insurance, p. 42.

mission created under the provisions of chapter 238 of the acts of 1894. The permanent measures recommended included the following:<sup>15</sup>

1. Removing residents of cities to the country and farms.
2. Removing the competition and hence displacement of free labor occasioned by the labor of inmates of reformatory and penal institutions.
3. Reducing the hours of a day's labor.
4. Restricting immigration.
5. Extending of industrial education.
6. Improving the intelligence and employment offices, or establishing free employment offices.

In 1916, a commission on social insurance recommended legislation establishing a State board of employment.

In January, 1916, the first unemployment insurance bill in the United States was introduced (House No. 825). The bill was the joint product of the social insurance committee of the American Association for Labor Legislation and of the unemployment insurance committee of the Massachusetts committee on unemployment. Members of the first committee were Prof. E. T. Devine, Prof. H. R. Seager, Prof. Carroll W. Doten, Dr. I. M. Rubinow, M. M. Dawson, J. P. Chamberlain, Dr. S. S. Goldwater, Dr. Henry J. Harris, Dr. Alexander Lambert, Lillian Wald, and Dr. John B. Andrews.

The other committee included Robert G. Valentine, Arthur D. Hill, Ordway Tead, Mr. Huddell, Prof. Felix D. Frankfurter, and Olga Halsey. The basis of memoranda for the bill was drawn by Joseph L. Cohen.

Hearings on the bill were held and various members of the committees spoke favorably. Representatives of employers' and employees' organizations opposed it. The bill was killed in the committee and was not reintroduced in later sessions. The function of the bill was primarily to arouse discussion of the subject for general educational purposes, according to one of the members of the committee on unemployment.

Chapter 157, resolves of 1916, provided for the appointment of a special recess committee on social insurance to study the effects of sickness, unemployment, and old age; to collect facts of actual experience with the several forms of insurance therefor, and to recommend to the general court such legislation as might be deemed practical and expedient to protect wage earners. Chapter 164 of the resolves of 1916 authorized this commission to study and investigate the subject of reasonable restrictions in hours of labor in industries operated continuously for 24 hours, and to recommend suitable legislation. The personnel of this commission consisted of 2 State senators, 4 representatives from the house, and 3 other persons, all appointed by the governor. The report of the commission was issued in February, 1917.<sup>16</sup>

The section dealing with unemployment was concerned chiefly with methods leading to the regularization of industry. Among other features it recommended a postponement of one-tenth of the permanent annual governmental improvement expenditures "as a reserve fund for the payment of wages during periods of business depression."<sup>17</sup>

The entire commission went on record in favor of a system of State employment bureaus. A minority report, signed by two members of the commission, went further and advocated:

" . . . some system of unemployment insurance when sufficient data and statistics are available through our labor bureaus to make such a law properly efficient in solving the problem of caring for the honest worker during periods of unemployment without his recourse to charity."<sup>18</sup>

Henry L. Shattuck, a member of the Massachusetts committee on unemployment, and also a member of the ways and means committee of the Massachusetts House of Representatives, introduced a bill on unemployment insurance (H. 278) on January 5, 1922, in the house. At the hearing on the bill the only support came from Henry Dennison, of the Dennison Manufacturing Co., and from Dr. John B. Andrews, of the American Association for Labor Legislation. The Massachusetts Associated Industries opposed it, and a self-appointed representatives of the Knights of Labor spoke against it. Representatives of the

<sup>15</sup> Massachusetts. Board to investigate the subject of the unemployed. Report. Boston, Wright & Potter, 1895. House Doc. No. 50, pt. 5; final report, reprinted 1908 as House No. 1176. Permanent Measures, pt. 5, 1908, p. 17.

<sup>16</sup> Massachusetts. Special commission on social insurance. Report. Boston, 1917. House No. 1850.

<sup>17</sup> Massachusetts. Special commission on social insurance. Op. cit. Report on unemployment, p. 120.

<sup>18</sup> *Ibid.*, p. 125.

American Federation of Labor were indifferent, and neither supported nor opposed the bill. Mr. Shattuck's purpose in introducing the bill was stated by him as follows:

"By the industrial accident law we have placed a premium on care in the operation of industrial plants and this has resulted in a decrease in industrial accidents. \* \* \* By providing unemployment insurance we shall not only create a reserve fund for the relief of those thrown out of employment in times of industrial depression, but we shall also give to every employer an incentive to provide steady employment by every means possible, and we shall provide a deterrent to overexpansion of industry in boom periods."

"In boom times the employer largely increases his forces, runs his factory day and night and produces goods at utmost speed. Overexpansion ensues; depression follows. Large numbers of men and women are suddenly thrown out of employment, with no prospect of earning a livelihood. This state of affairs not only creates innumerable cases of individual hardships, but is detrimental to the welfare of the entire community."

"Under present industrial conditions the worker may demand as a right that the employer contribute to his protection in periods of involuntary unemployment. As I have already pointed out, this hazard is in large part a product of the present industrial system. To the extent that unemployment is seasonal the employer by careful planning can do much to prevent its recurrence by removing the causes. To the extent that unemployment is caused by cycles of general depression the individual employers is less able to strike at the cause, but, acting in cooperation with other employers, he may do much. The employee, on the other hand, can do little or nothing in the way of prevention."

"There should be constant economic pressure for the removal of the causes of unemployment. The efforts of employers to reduce premiums, and of their insurers to decrease compensation payments, will bring about such pressure."

The bill was referred to a special commission on unemployment, unemployment compensation, and the minimum wage, appointed by provisions of chapter 43 of the resolves of 1922. The personnel of this unpaid special commission consisted of 2 State senators, 4 representatives from the house, and 3 other persons, all appointed by the governor, and a secretary. Various hearings were held by this commission which first studied the minimum-wage question. By the time the commission took up unemployment, conditions were almost normal. The department of labor and industries, in September, 1922, reported that the amount of unemployment from all causes was 9.6 per cent.

To quote from the report of the commission:

"Because of this favorable situation there was not the same interest manifested which is usually apparent when unemployment is more general."

The conclusions of the report stated in part:

"Like other forms of so-called social insurance, compulsory indemnification during unemployment is not consistent with American principles. The commission is unanimous in its opinion that the adoption of any form of State insurance against unemployment would neither be to the interest of Massachusetts industries nor to the permanent advantage of Massachusetts wage earners."

"There is evidence that where compulsory State health insurance is in operation the health of wage earners has not been improved, but malingering has increased, and, as a result, the cost has become much greater. Just as health insurance has apparently encouraged malingering, unemployment insurance bids fair to encourage shiftlessness and improvidence."

"When one contemplates the growth of our commonwealth and the spirit of its citizens, which has contributed so largely to that successful development, we are reminded that those qualities of character which have counted most in the achievement are those of strength, sturdiness, and thrift. If these are the qualities which have made for the accomplishments of our commonwealth in the past, they are the qualities we should seek not to discourage but to cultivate and perpetuate in the future."

<sup>22</sup> Henry L. Shattuck, Unemployment insurance legislation in Massachusetts, American Labor Legislation Review, March, 1922. p. 45.

<sup>23</sup> Ibid., p. 48.

<sup>24</sup> Ibid., p. 49.

<sup>25</sup> Massachusetts. Special commission on unemployment, unemployment compensation, and the minimum wage. Report. Boston, 1923. Organization of the commission, p. 11.

<sup>26</sup> Ibid., Conclusions, p. 43.

"We are told that American labor does not favor social insurance. To the industrious and independent American worker unemployment insurance apparently makes little appeal."

"Samuel Gompers, president of the American Federation of Labor, has said: 'There must necessarily be a weakening of independence of spirit and virility when compulsory insurance is provided for so large a number of citizens of the State.'"

"The American wage earner does not want doles; he does not want social insurance; he does want independence and the opportunity for self-development."

"Compulsory unemployment insurance is class legislation. It not alone creates classes, when it attempts to designate what employees shall be the beneficiaries under such a system, but in a measure it taxes the ambitious and industrious worker and rewards the sluggard."

"In the opinion of the commission, State unemployment insurance would not result in any decrease in unemployment. There is reason to believe, however, that it would result in increasing unemployment."

"The burden of any system of social insurance such as House bill No. 278 contemplates would be great. The estimated annual cost having been set at \$19,000,000 in a year of severe depression would mean that Massachusetts industries would be compelled to labor at great disadvantages with other States in the Union."

"The commission does not advocate unemployment insurance as a means of relieving or solving the unemployment question. Considering any such system aside from the cost, which seems prohibitory, there are other aspects of this form of proposed relief which do not appeal to the commission."

"In considering the various recommendations for relieving unemployment, the commission has already stated that it was most impressed with those which sought to prevent recurring periods of unemployment, rather than with those which were apparently designed only to supply means of relief."

"It is the measures that make for stabilization in business which are the constructive ones. They go to the root of the unemployment problem and provide the best means possible for its prevention. Temporary means of relief do well in emergencies, and these should be adequate, but it is to the basic remedies we should look for a permanent solution. It is such remedies which have commended themselves most to the commission, and they should as a matter of fact, appeal to all because they are economically and fundamentally sound."

"In submitting its report to the general court, the commission recommends no legislation."

As a result of the commission's report the bill was killed on the floor of the house. There were no votes in support of it.

Mr. Shattuck has given very little attention to the bill during the past five years, and feels that its chief value was to stir up discussion among employers on stabilization of employment.

An appendix shows the detailed cost of compulsory unemployment insurance, as estimated by the department of labor and industries (p. 25).

*Minnesota.*—The Minnesota bills, introduced in 1923, 1925, and 1927, are copied directly from the Wisconsin Huber bills (p. 14). The bills have been actively supported by the State Federation of Labor through George W. Lawson, secretary, and by the American Association for Labor Legislation. The bills have been reported back each time from the committee on workmen's compensation, but have failed of passage. Indefinite postponement of the 1927 bill was voted 55 ayes to 32 noes.

*New York.*—General social insurance bills, covering sickness insurance, non-compensable accident insurance, maternity benefits, pensions, and unemployment insurance have been introduced at Albany for several successive years. In 1921, Mr. Orr, a Socialist representative from New York City, introduced the first social insurance bill. The bill followed the earlier Massachusetts bill (1916) rather than the Wisconsin Huber bill (1921), in that liability was divided among employers, employees, and the State. The bill and the three identical Cuvillier bills (1926 and 1927) were never reported out of committee. In a letter written to a critic of his 1927 bill, Mr. Cuvillier said in part:

<sup>27</sup> Massachusetts. Special commission on unemployment, etc. Op. cit., Conclusions, p. 44.

<sup>28</sup> Ibid., p. 45.

<sup>29</sup> Ibid., p. 46.

"This bill should not be taken seriously. It was introduced for the purpose of ascertaining public sentiment on the question of public health in all its phases. The bill will not be pushed. I trust you will publish this fact."

*Pennsylvania.*—A bill was introduced into the house by Representative Christian Miller on March 21, 1921, was sent to the committee on insurance the following day, but was not reported back. The bill was sponsored by the State Federation of Labor and the Eastern Consumers' League. The Association for Labor Legislation aided in drafting the provisions, which followed the Huber bill in the main except that insurance could be placed with any authorized carrier instead of an employers' mutual insurance company.

*Wisconsin.*—The Huber bill (1921): The most important compulsory unemployment insurance bill so far introduced in any State legislature is the original Huber or Commons bill (122 S.), introduced before the Wisconsin Senate on February 4, 1921. The bill took its name from its sponsor, Senator Huber, and from its chief protagonist, Prof. John R. Commons, of the University of Wisconsin.

The importance of the bill lies in the fact that (1) employers alone were made liable for payments in contrast with the plans in which there are unemployment funds jointly supported by employers, employees, and the State, as found in several European systems and in the bills introduced in Massachusetts in 1916 and in New York in 1921; (2) insurance was to be principally handled by an employers' mutual unemployment insurance company as contrasted with joint unemployment funds and insurance placed with mutual or private insurance carriers (as in later bills introduced in Wisconsin and other States); (3) the method of administration was similar to the administration of the workmen's compensation laws in many States; (4) the bill itself came nearer passage than any succeeding bills either in Wisconsin or in other States.

Amendments to the original bill were made on May 3 and 20, and June 1 and 2, 1921. In a vote on substitute amendment 1 S., engrossment by the Senate was refused 11 to 14. The vote which refused engrossment was reconsidered, but on June 2 indefinite postponement was voted, 19 ayes to 10 noes.

Widespread publicity resulted from the hearing on the Huber bill, and in the discussion there was heard the full range of arguments both pro and con. Since these contentions are representative of most of what has been written and spoken on the subject, we shall quote at some length.

Professor Commons is one of the leading proponents of unemployment insurance legislation in the United States. His reasons for belief in it as a desirable social measure were clearly and completely set forth in an article appearing shortly after the introduction of the first Wisconsin bill. Business stabilization, necessary to effect stable employment, can not be successfully maintained by many individual firms, he said.

"The inducement to stabilize employment in order that it may be really effective must not only take the example of those manufacturers who have pioneered the way themselves, but must interest the entire banking system of the State or Nation in the plan."<sup>20</sup>

The Huber bill, in his opinion, was so formulated as to prevent "the over-expansion of credit (which) is the cause of unemployment; to prevent over-expansion of credit you place an insurance liability on the business man against the day when he lays off the workmen."<sup>21</sup>

Professor Commons cited European experience with unemployment insurance legislation which, in his opinion, proved its practicality. While the Huber bill was modeled on certain European measures an attempt was made to benefit by experience and accept the best features of each.

"It starts on the idea that the modern business man is the only person who is in the strategic position and has the managerial ability capable of preventing unemployment. In other words, the system proposed is exactly like that of the workman's accident compensation law of this State. A mutual insurance company is created, operated, and managed solely by the employers. That company is created upon the same principle as the State's accident compensation law. The employers establish their own premiums, supervised by the State insurance board; they pay out the benefits to the workmen exactly as they pay out the benefits under the accident compensation law. The only difference is that instead of the doctor who cures the man of accidents, the bill provides

<sup>20</sup> John R. Commons. Unemployment compensation and prevention, the survey. Oct. 1, 1921, vol. 47, p. 6.

<sup>21</sup> Commons, op. cit., p. 6.

an employment officer who finds the man a job. The system avoids what might be called the socialistic and paternalistic schemes of Europe. It is a capitalistic scheme. It avoids the socialistic scheme, in that the State does not go into the insurance business; it avoids the paternalistic scheme in not paying out relief for an inevitable accident. It induces the business man to make a profit or avoid a loss by efficient-labor management. It places the compensation so low that the workman has no expectation of more than enough to pay his rent."<sup>22</sup>

He goes on to point out that the workmen's compensation law has been effective in the reduction of accidents by making it financially worth while to reduce them.

In conclusion he says:

"If we recognize that this question of capital and labor acquires its bitterness from this failure of capitalism to protect the security of labor, then we shall conclude that unemployment compensation and prevention is of first importance. We have already removed from the struggle between capital and labor the bitterness over the responsibility for accidents. Labor agitators formerly could stir up hatred of the employer on the ground that the employer gets his profits out of the flesh and blood of his workmen. No longer do we hear that language, but we do hear them say that capital gets its profits out of the poverty and misery of labor and the reserve army of the unemployed. That is the big remaining obstacle which embitters the relations between capital and labor. While individuals may think it is undesirable, yet from the standpoint of the States and of the Nation, we must submit somewhat our individual preferences to what may help to prevent a serious menace in the future, and must impose upon capital that same duty of establishing security of the job which it has long since assumed in establishing security of investment."<sup>23</sup>

The Wisconsin Leader, an organ of the Wisconsin Equity Society, the principal farmers' organization of the State, in an editorial March 26, 1921, said:

"Before the present legislature is a bill for the prevention and lessening of unemployment. Many persons misconceive the principal object of this measure. It is not so much to provide a small pecuniary relief for workmen thrown out of a job as to bring about a condition of affairs where employment will be more stable and constant all the year around. It is a bill to keep men at work during as many months of the year as possible. It is a bill that will not take one dollar out of the State treasury, and consequently it will not add anything to the burden of taxation.

"The prime object of the bill is to produce conditions which will prompt manufacturers to so arrange their business that employment will be constant. The greatest blessing from workmen's compensation insurance has arisen from the installation of safety devices and the adoption of precautionary measures which have enormously reduced accidents, and saved thousands of lives, and prevented the mangle and crippling of thousands of workmen.

"Disemployment is something that every community must pay for in one way or another. Men out of work and receiving no wages must live. They 'hang up' the butcher, the baker, and the boot and shoemaker. They borrow money of friends and often can not return it. They get behind on their rent, and then have to move, and sometimes they become second-story men or bank bandits. Hunger and privation of the house of want makes insecure the house of have, and sets free in every community dangerous impulses.

"The present Legislature of Wisconsin may not rise to the opportunity which presents itself by the introduction of the unemployment compensation act of Senator Huber, but some future legislature will. In the preparation of the bill Senator Huber has had the assistance of Prof. John R. Commons, of the university, a cautious and conservative life-long student of industrial welfare legislation. Manufacturers were nearly all opposed to the compensation act at first, but now all see its wisdom, and few would have it repealed. Disemployment insurance is founded on principles almost identical to those which led to workmen's accident insurance, and the time is coming when employers will see that it is as important for them to seek to prevent unemployment as to seek to prevent accidents in their factories."

The Milwaukee Journal, October 10, 1921, referred to an editorial in the New York Times on the bill:

"Wisconsin, frequently a pioneer in industrial legislation, began to study the problem of unemployment before the present acute condition came upon the

<sup>22</sup> Commons, p. 8.

<sup>23</sup> Commons, op. cit., p. 9.

country. It even thought, in terms of a concrete bill, how it might be prevented. This bill was not passed, but it will be urged during the coming session of the legislature.

"The Wisconsin plan avoids what Professor Commons says 'might be called the socialistic and paternalistic schemes of Europe.' It abandons the idea that the State should be involved, and looks to the modern business man as the only person who has the managerial ability and who is in the strategic position to prevent unemployment.

"It is somewhat perilous, no doubt, for one State to go it alone in such an experiment, but it is one of the advantages of our system of government, recognized by Lord Bryce, that the individual State may try things out for the good of the whole Nation. Wisconsin has shown hardhood in many fields of social, industrial, and educational interest. Her university professors still have the daring and independence of the first settlers. If she can discover the formula against insecurity of employment she will have done much more good than in her pioneer measurement of butter fats, for example, or the cultivation of a perfect ear of corn or breeding a perfect cow, which Professor Commons some years ago insisted was comparable in achievement even with the modeling of the Venus de Milo."

Ethelbert Stewart, United States Commissioner of Labor Statistics in 1921, commented on the bill as follows:

"Bill S. 122, introduced in the Senate by Senator Huber, is exceedingly interesting as being among the pioneer attempts to provide for an unemployment fund for compensating workmen who are temporarily out of work in this country. Of course, you are aware of the varied experiences of foreign countries along this line. I am attaching hereto a clipping from this morning's issue of the Washington Post which shows first the inadequacy of the fund for such relief and, secondly and principally, the delay which results from the complicated machinery for the enforcement of a very much obscured and entangled statute. I am fearful that some of the provisions of this Wisconsin bill would lead to the same sort of delay in case unemployment should at any time become suddenly very acute in the State. The bill, on page 9, beginning line 193, provides for the creation of a separate bureau, as I take it, by the State, the members of such bureau, however, being not employees of the State, but representatives of unemployment insurance carriers that would enter the State upon the enactment of this law. It would seem that this bureau composed of insurance companies might operate to so delay the working of the law as to practically nullify its effect. On page 10, section 2394-110, or from line 219 to line 230, it is provided that the industrial commission shall appoint a board to be known as the unemployment advisory board, which, again, will suggest possibilities along the line of infinite delay. I think, Mr. Henning, that the concept that we had as boys of a board as something long and thin, narrow and wooden, will serve us fairly well in our later life as an adequate definition of a board. This bill seems to be entirely too full of them. However, as a pioneer experiment in unemployment legislation in this country, it would be exceedingly interesting to watch the development of this new Wisconsin idea."

The Milwaukee Sentinel, March 11, 1921, reported the address of Frederick L. Hoffman, at that time a vice president of the Prudential Insurance Co. of America, before the legislature as follows:

"The propaganda for unemployment insurance in America is a sinister movement fostering the aims and objectives of the Socialist, and communicated through the American Association for Labor Legislation, which is indifferent to the consequences of its propaganda, neither indorsed by organized labor nor by organized industry.

"All social insurance is an amplified and often cleverly disguised form of poor relief, adopted largely as a palliative to meet an inadequate standard of life. It goes contrary to the fundamental conception of Anglo-Saxon countries, that wages must be sufficient to meet all normal contingencies of the wage-earner's life. The wages must be sufficient to enable the wage earner to provide for his future, for his own sickness, for his own unemployment, for his old age in his own way and at his own cost. That alone is democracy and economic freedom.

"The substitute proposed implies the serious menace of a return to a condition of status under which the wage earner's life is controlled in all its important details by the statutory rules and regulations of a government department.

"All social insurance rests upon the theory of compulsion. This in recent years has been amplified into the expression 'regularization of labor.' Regularization and standardization are shibboleths which hide the truth that the lives of the wage earners are to be controlled, directed, and supervised by a bureaucratic force given practically unlimited powers of authority as a matter of necessity to safeguard State funds against imposition and fraud.

"The alleged social security resulting from such measures is also a mere shibboleth, for a security which involves the surrender of personal freedom in matters most highly valued by persons of character and independence is dearly bought. From compulsory contributions to compulsory labor control is but a step.

"Unemployment insurance in England rests upon the same false conception as health insurance, in that it is claimed to be a measure for the prevention of unemployment as the latter is alleged to be a measure for the prevention of disease.

"Neither act contains a single substantial provision which can be construed as effectively making for the removal of conditions giving rise to ill health or to unemployment; but, quite conversely, both acts directly give encouragement to abuses typical of a thoroughly pauperized condition of what has heretofore been a self-respecting and self-sustaining wage element, wrongfully called 'labor class' in England. Those who assert a favorable British experience are either colossally ignorant of the facts or willing to deliberately pervert the truth.

"It is the American standard of labor and life that gives us force, gives us our strength, gives us our peace of mind, and accounts for our optimistic attitude that, come what will, we shall somehow hold our own.

"It is the socialistic phrasemaker, the professional propagandist, the self-seeking opportunist, who would overthrow the present order of things and establish a different but by no means better form of government, in which the reformer, the meddler, the public controller would have charge of the affairs of the people down to the most minute matters of personal conduct, typical of Soviet Russia, but abhorrent to Americans."

The State Federation of Labor favored the measure; in fact, it was looked upon as the Federation's bill." The manufacturers' association and many individual employers opposed it but certain employers spoke in favor of it at the hearings. Henry Dennison, of the Dennison Manufacturing Co., and Ernest Draper, of the American Creosoting Co., traveled from Massachusetts and New York to appear for the bill. Mr. Draper's comments were embodied in an article published in the New York Times. His advocacy of unemployment legislation was on very much the same basis as that of Professor Commons. He said:

"The enactment of this law, in focusing the attention of employers upon methods to combat unemployment (and thus cut down the amount of their insurance premiums), would undoubtedly have the same effect upon unemployment as a similar law had had upon accidents. It would diminish unemployment, and diminished unemployment would mean stabilized industry, more even production and thus freer opportunities to increase business profits."

The most violent opposition to the bill was included in a pamphlet prepared by F. H. Clausen, ex-president of the Wisconsin Manufacturers' Association, and issued by the association. In this pamphlet, entitled "For the Enlightenment of Those Who Have Not Yet Familiarized Themselves with this Dangerous Legislative Proposal," it was argued that compulsory unemployment insurance had never been provided on terms contained in this measure and had never been successfully established where the employer furnished all the compensation. The principles of American workmen's compensation legislation were not comparable, for such legislation had been introduced to meet conditions that had grown up under the common law and statutory liability of the employer for injury to his employee resulting from negligence on the employer's part. Employers had welcomed workmen's compensation "as the humane doorway for relief to injured employees."

In the next place, it would be better to have employers pay unemployment compensation direct rather than to have State-controlled insurance, since they would be free from any interest in preventing unemployment once they had paid their premiums, but if they paid compensation direct, they would be careful

\* Wisconsin State Federation of Labor. Proceedings of the twenty-ninth annual convention, July, 1921. Madison, 1921, p. 88.

about discharging. The bill penalized both employers who prevented unemployment and other employers who mismanaged their business. Buying power would not be stabilized, for those workers who remain employed would have just as much less wages and just as much less purchasing power as would be added by the payment of insurance to those who are unemployed. Unemployment it was stated was largely due to conditions over which industry had no control, and unemployment insurance would not prevent unemployment in any marked degree.

Unemployment insurance it was prophesied would lead, in time, to an un-economic almsgiving as was the case in England. Employers would hesitate to add men for casual work for fear of the cost of compensation when they were discharged. Weak firms would be driven into bankruptcy and others, unable to compete with the industries outside the State, would be driven out. "It would sound the death knell of industry in Wisconsin to pass any such measure as the Huber bill without assurance that all competing industries in other States would be brought under a like act."

The Northern Hemlock and Hardwood Manufacturers' Association of Wisconsin also prepared a special report on the bill, based largely on the report of the Wisconsin Manufacturers' Association.

Huber bill (1923): On January 25, 1923, Senator Huber introduced a similar bill (535) before the senate. The bill was amended May 10, 1923, and referred to a committee on the judiciary, but no vote was made on either the original bill or on the substitute amendment 1 S. A second substitute amendment 2 S. (Titus) providing for an interim committee to investigate unemployment insurance, failed of adoption by a vote of 16 to 17.

Several features of the original bill were radically changed. The scope of the bill was limited to employers with six or more employees as contrasted with three in the 1921 bill; canneries were included; regularly recurring vacations were not deemed periods of unemployment; no unemployed person could receive more than 65 per cent of his usual wages; an insurance rating bureau was created; insurance could be placed with any authorized carriers; penalties were lessened for violation of the law.

Heck bill (1925): On February 3, 1925, Senator Heck introduced a bill similar to the 1923 Huber bill. Independent mutual employer insurance companies could be created by five or more employers with a coverage of 1,500 separate risks. Indefinite postponement was voted in the Senate on June 3, 1925, by a vote of 20 to 12.

Coleman bill (1927): Bill 296 A was introduced by Assemblyman Coleman March 1, 1927; it was similar to the 1925 bill. Indefinite postponement was voted by the assembly 66 to 20.

While the bill was indorsed by organized labor, it received only perfunctory support from representatives of labor. A number of Professor Commons's colleagues did not support the measure since they felt it would be very difficult for the State to administer such a law. Representatives of the State industrial commission feel that the issue is fairly "dead" at the present time.

NOTE.—On March 19, 1928, after the completion of this report, an unemployment insurance bill was introduced in the House of Representatives by Victor Berger (H. R. 12205) and referred to the Committee on the Judiciary. The bill provides for a bureau of unemployment insurance under a director. Unemployment insurance applies to all persons engaged in employment, under 18 years of age and over except where the act specifies exemption. Benefits are to be paid after two weeks or more of unemployment at the rate of 50 per cent of the average weekly wage earned during the six months preceding unemployment. Benefits are not to be paid for more than six months in any one year.

The fund from which payments are made is to be subscribed to by employees, employers, and the Federal Government. The employees and employers are each to pay one-third of the total annual amount which the director estimates will be necessary, the employees "in proportion to their earnings" and the employers on the basis of their weekly pay rolls. The Government makes up the balance.

A considerable expansion of the United States Employment Service is provided for, and the director is to make use of these offices to allocate unemployed workers.

## APPENDIX

COST OF UNEMPLOYMENT INSURANCE <sup>25</sup>

The following estimate was submitted by the department of labor and industries:

FEBRUARY 9, 1923.

Mr. JOHN D. WRIGHT,  
*Secretary Special Commission on Unemployment,  
Unemployment Compensation, and the Minimum Wage,  
Room 333, Statehouse.*

DEAR MR. WRIGHT: In accordance with your request of January 17, on behalf of your commission, I am submitting herewith an estimate of the initial cost of establishing a system of unemployment insurance in accordance with the provisions of House bill 278. It is understood that the estimate submitted is merely an approximation. Unfortunately there are no data available which would make it possible to determine accurately the number of persons who, in accordance with the provisions of the bill, would be excepted from participation in the benefits therein provided. A statement showing the method of estimating the initial cost of establishing such a system in Massachusetts is appended.

In the initial year, 1923, based on three full weeks of unemployment at the maximum amount of \$9 per week, or \$27 per annum, per person, assuming a normal percentage (7.7) unemployed on account of lack of work, based on an experience of 15 years, the cost would be approximately \$1,612,000.

The bill provides in section 15, paragraph A, that in 1923 no employee shall receive unemployment compensation for more than 3 weeks, and in the years 1924 and 1925 no employee shall receive unemployment compensation for more than 13 weeks. In order that your commission may have some basis for determining the probable cost, were the system to be in operation for a period of 13 weeks of unemployment, I am submitting two other estimates, as follows:

A. In 1923, based on 13 full weeks of unemployment at a maximum amount of \$9 per week, or \$117 per person, assuming a normal percentage of unemployment (7.7), the cost would be approximately \$6,985,000.

B. In 1923, based on 13 full weeks of unemployment at a maximum amount of \$9 per week, or \$117 per person, assuming a maximum percentage of unemployment on account of lack of work (21.0), in an experience of 15 years (1908-1922), based on 162,816 persons eligible to receive benefits, the cost would be approximately \$19,050,000.

Very respectfully,

E. LEROY SWEETSER,  
*Commissioner of Labor and Industries.*

<sup>25</sup> Massachusetts. Special commission on unemployment, etc., op. cit., cost of unemployment insurance, pp. 76-78.

*Method of estimating cost of unemployment insurance. (Based on provisions in House bill 278)*

I. Total number of persons, 14 years of age and over, gainfully employed (census of 1915) <sup>1</sup> -----	1,640,890
Less persons engaged in--	
Transportation-----	117,455
Public service-----	40,457
Agriculture-----	79,385
Domestic and personal service-----	180,254
Professional service-----	95,102
Total in groups 1 to 5-----	512,653
Number of persons gainfully employed, 14 years of age and over, less groups 1 to 5-----	1,128,237
Less persons under 18 years of age gainfully employed (6.7 per cent) <sup>2</sup> -----	75,592
II. Total number of persons, 18 years of age and over, gainfully employed in industries covered by the act-----	1,052,645
Less persons with income in excess of \$500 from any source not depending on own exertions-----	( <sup>3</sup> )
Less persons with income over \$1,560 per annum (31.1 per cent) <sup>4</sup> -----	327,373
III. Total number of persons eligible in 1915-----	725,272
Add 6.9 per cent <sup>5</sup> increase during period 1915-1923-----	50,044
IV. Estimated number of persons to be covered by act in 1923-----	775,316
Number of unemployed in normal year (based on experience of 15 years, 7.7 per cent unemployed on account of lack of work) <sup>6</sup> -----	59,699
V. In initial year (1923) based on 3 full weeks of unemployment at maximum amount of \$9 per week, or \$27 per annum per person, the cost would be approximately-----	\$1,612,000
VI. In 1923, based on 13 full weeks of unemployment at maximum amount of \$9 per week, \$117 per person, assuming normal percentage of unemployment (7.7), the cost would be approximately-----	\$6,985,000
VII. In 1923, based on 13 full weeks of unemployment at maximum amount of \$9 per week, or \$117 per person, assuming a maximum percentage of unemployment on account of lack of work (21.0) <sup>7</sup> in an experience of 15 years (1908-1922) based on 102,816 persons eligible to receive benefits, the cost would be approximately-----	\$19,050,000

<sup>1</sup> Returns relative to persons gainfully employed in 1920 have not yet been announced by the Census Bureau; therefore the returns for 1915 have been taken as the base for computation, and corrected under III to provide for increase during the period 1915-1923.

<sup>2</sup> This entire group was omitted because, presumably, comparatively few persons in this group receive incomes of less than \$1,560 per annum.

<sup>3</sup> In the manufacturing industries in Massachusetts in 1920, 6.7 per cent of those employed were under 18 years of age. It is assumed, in the absence of more adequate data, that this same percentage would apply to the total number of wage earners in all industries in the State.

<sup>4</sup> There is no basis for estimating this number. The number of individuals who filed income-tax returns in Massachusetts reporting incomes in excess of \$1,000 in 1921 was 166,298. Presumably the most of these would be included among those with incomes of \$1,560 or over, deducted under II, 2.

<sup>5</sup> In the manufacturing industries in Massachusetts in 1920, 31.1 per cent of the total number of wage earners employed received at least \$30 or more per week (\$1,560 per annum). Approximately one-half of the total number of wage earners in the State are employed in the manufacturing industries. For lack of more comprehensive or more recent data this percentage (31.1) is applied in estimating the number of persons who would not be eligible to receive benefits under the act.

<sup>6</sup> The increase in population during the intercensal period 1915-1920 was 4.3 per cent, or at the rate of 0.86 per cent per annum. For the period of 8 years (1915-1923) the per cent of probable increase is therefore estimated as  $8 \times 0.86$  per cent, or 6.9 per cent.

<sup>7</sup> The average of the quarterly percentages unemployed on account of lack of work, based on returns from officials of labor organizations in Massachusetts during the period 1908-1922 (15 years), was 7.7.

<sup>8</sup> The average of the quarterly percentages unemployed on account of lack of work, based on returns from officials of labor organizations in Massachusetts during the year 1921, which was the year of maximum unemployment during the period 1908-1922, was 21.0.

ANALYSIS OF PROVISIONS OF PROPOSED LEGISLATION

1. *Type*.—Bills may be divided into two groups: (a) The British group, including the first Massachusetts bill and the New York bills, in which insurance benefits are to be paid out of funds established through joint contributions of the employer, the employee, and the State; (b) the Wisconsin group, including all other legislative proposals except those previously mentioned, in which liability is to be borne entirely by the employer.

All bills, except those introduced in New York, dealt only with one proposal, compulsory unemployment insurance. The New York bills were "omnibus" proposals, covering practically all forms of social insurance, such as old age, unemployment, death, sickness, accidents (not covered by workmen's compensation), and maternity benefits. Unemployment insurance was only one feature of the general program of social insurance.

2. *Scope*.—(a) Age: The Wisconsin, Pennsylvania, and Minnesota bills applied only to persons 16 years of age and over. In the Massachusetts bill the limit was placed at 18 years, while no provisions were contained in the Connecticut and New York bills.

(b) Sex: All bills applied to both men and women.

(c) Occupation: The first Massachusetts bill (1916) and the New York bills specifically designate employed persons or workmen "engaged in manual labor." The remainder of the bills usually designate all persons under "oral or written contract engaged in a gainful occupation."

(d) Size of establishment: The Minnesota bill (1923), the Pennsylvania bill, the Wisconsin bill (1921), and the Massachusetts bill (1922) limited the scope of the act to employees of corporations and employers not incorporated who employed three or more persons. The later Wisconsin and Minnesota bills raised the limit to six or more persons, while the Connecticut bill was restricted to employers of five or more persons. No designation as to the size of the establishment or employees therein was contained in the Massachusetts bill of 1916 or the New York bills.

(e) Industries: The Massachusetts bill (1916), following the provisions of the British act, covered only 13 insured industries. It was understood that other industries would gradually be insured if the law proved successful. Limitations and restrictions in other bills were covered by "exemptions."

3. *Exemptions*.—All bills specifically exempted certain industries, employers, and employees. The basis of exclusion varied between the nature of the industry, occupations involved, and amount of earnings or independent income.

(a) Industrial: All trades not classified as insured industries were excluded in the Massachusetts bill (1916). Farms and canneries were exempt in the Wisconsin bill (1921), as well as in the Pennsylvania, Minnesota (1923), and Connecticut bills. The later Wisconsin bills did not exclude canneries, and this change was also followed in the Massachusetts proposal (1922). Home-work industries were exempt in the New York bills. Establishments in insured industries with private unemployment insurance plans when approved by the industrial commission, were exempted in the Massachusetts bill (1916).

(b) Occupational: State, municipal, town, and village employees, inmates of State institutions, and persons not regularly engaged in their normal course of business or trade were exempt in all bills. The following summary shows other occupational exemptions:

Group	Bill
Farm laborers-----	All bills except New York.
Federal employees-----	New York.
Domestic servants-----	Massachusetts (1922).
Persons engaged in interstate commerce-----	Massachusetts (1916, 1922), and Connecticut.
Clerks and other employees not engaged in manual work-----	Massachusetts (1916).
Members of an employer's family not receiving money wages-----	New York.
Agents and others paid by commission or fee-----	Do.
Persons temporarily engaged for less than 1 week-----	Do.
Members of religious societies engaged in missionary and educational work-----	Do.

(c) Dependency: Persons wholly dependent on others for their livelihood were exempt in all bills except New York and Massachusetts (1916).

(d) Earnings and income: Persons whose annual income exceeded \$1,500 or who received pensions of \$500 or more were exempt in the Wisconsin (1921), Pennsylvania, and Minnesota (1923) bills. In the succeeding Wisconsin bills, the Massachusetts bill (1922), and the Minnesota bill (1927) the pension clause was not included. Annual income exemption was placed at \$1,000 in the Connecticut bill, and at \$1,500 in the Massachusetts bill (1922). Persons earning more than \$50 per month were exempt in the New York bills, while in the Massachusetts bill (1916) the limit was placed on persons earning over \$25 weekly.

4. *Definition of unemployment.*—In the early Massachusetts bill and in the New York bills a person was to be deemed unemployed when, after having been engaged in an insured trade, he was unemployed, but he was not unemployed (under the provisions of the bills) if he received benefits from any other source. In the Wisconsin bill and other proposals based on the original Huber bill a person was not deemed to be unemployed on any day when he was following an occupation for which he derived remuneration or wages or when his weekly wage was less than 75 per cent of his regular wages. In the Connecticut bill the wage proviso was 80 per cent instead of 75 per cent.

In the American or Wisconsin group of bills two periods of unemployment of not less than two days each, separated by a period of not more than three days each, were treated as a period of continuous unemployment. A temporary shutdown of less than one month on account of fire, flood, etc., was not to be counted as a period of unemployment. In industries operating regularly only during seasonal periods, compensation was paid only when unemployment occurred outside of the usual seasonal period. The 1923 Wisconsin bill first introduced the proviso that regularly recurring vacations were not considered periods of unemployment.

5. *Eligibility.*—The Wisconsin group make eligibility dependent on 26 weeks of service for one or more employers (in later bills, within a period of two years), on regular application in the prescribed manner; and on the fact that "the unemployed person is capable and available but unable to find suitable employment." Persons who voluntarily left their jobs, who had been dismissed for reasonable cause, who were on strike or lockout, who were confined in State institutions, or whose unemployment had been caused by an act of God became ineligible.

The New York bills designated that the 26 weeks' employment must have occurred in each of preceding 5 years, while in the Massachusetts bill (1916), 10 weeks' employment must have taken place in each of preceding 3 years. Both the New York and Massachusetts bills had a proviso that persons are eligible only if the right to unemployment benefits had not been exhausted.

All bills specifically stated that persons were not required to take a job on account of a strike or lockout or to work at wages lower than prevailing wages in that district.

6. *Waiting period.*—The waiting period in the Connecticut bill was set at 2 days; in the Wisconsin, Pennsylvania, and Minnesota bills, 3 days; in the Massachusetts bill (1922) 6 days, and in the New York and Massachusetts bills (1916), 1 week.

7. *Amount of compensation.*—Except in the New York and Massachusetts bills (1916), compensation was put on a daily basis. In Wisconsin the rate was \$1; in Pennsylvania, Minnesota, and Massachusetts (1922) \$1.50; in Connecticut \$2.50, with half rates to those under 18 years of age. In New York bills weekly compensation was \$5 to \$8; and in the Massachusetts bill (1922) rates range from \$3.50 to \$7. In the Wisconsin bill (1923) no employee was to receive a sum equal to or more than 65 per cent of his usual wage. In the Massachusetts bill (1922) compensation might be \$1.50 daily or 60 per cent of the average daily wages in the preceding 30 days. In Connecticut the limit was placed at 67 per cent of regular average wages for those insured by the State. The limit for self-insurance was 75 per cent. Transportation to a place of suitable work outside of the local district was provided in all the bills, and in reality a form of supplementary compensation.

8. *Duration and regulation of compensation.*—The duration of benefits in any one year ranged from 3 to 20 weeks, according to the different bills, as follows:

Bill	Number of weeks
Massachusetts (1922)-----	3 (first year).
Do-----	4 (second year).
Do-----	6 (third year).
Wisconsin (1921)-----	6 (first year).
Do-----	13 (after first year).
Massachusetts (1916)-----	10.
Wisconsin (1923, 1925, 1927)-----	13 (any year).
Pennsylvania-----	Do.
Minnesota (1923, 1925, 1927)-----	Do.
New York (1921, 1926, 1927)-----	15 (in any 12-months' period).
Connecticut-----	20 (in any year).

In all bills (except the New York and the Massachusetts (1916) bills) there was a limit of one week's compensation for every 4 weeks a person had worked for employers. In the New York bills the ratio was one week's benefit for every 5 week's contributions paid by the employee or for him under the act, while in the first Massachusetts bill (1916) the ratio is 1 to 6. The New York bills also contain further detailed provisions covering the regulation of contributions.

Practically all the bills stated that payments could not legally be waived or be subject to attachment for employers' debts.

9. *General administration and authority.*—Administration in the Wisconsin group (with the exception of Connecticut) was similar to administration of workmen's compensation in that responsibility and authority were placed in the hands of the respective State labor departments or industrial commissions. In Connecticut, New York, and Massachusetts (1916) bills administration was to be through specially created insurance commissions. In the first-named State it was provided that this commission was to be composed of the commissioner of factory inspection, the chairman of the compensation commission, and five other members (two of whom must be trade-union members in good standing) appointed by the governor. The first two members were to receive \$2,500 yearly in addition to present salaries, and the five other members received \$5,000 per annum.

In New York administration was to be in the hands of a social insurance commission which would in turn create a bureau of unemployment insurance under the direction of a deputy commissioner. In Massachusetts (1916) a board of three unemployment insurance commissioners were to be appointed to administer the act. The chief commissioner and referee were appointed by the governor; other officers were appointed by the chief commissioner.

In the Wisconsin group, the industrial commission, the insurance commissioner, and compensation insurance board, within their respective jurisdiction were given power and authority to make inspections, investigations, and to set up rules and regulations. In the Wisconsin bill (1921) these powers extended to an employers' mutual liability insurance company in which all employers had to participate unless qualified as self-insurers. The Wisconsin bills of 1923 and 1927 lessened the emphasis on the mutual company and permitted the creation of independent employer mutual insurance companies. The Pennsylvania, Minnesota, Massachusetts (1922), and Connecticut bills, all fashioned after the original Huber bill, did not include the establishment of an employers' mutual insurance company.

Local administration in most of the bills was to be carried on through local deputies or managers attached to State employment bureaus. These deputies were to file claims, hold hearings, etc., on local cases.

A State rating bureau which classifies industries, establishes charges, credits, refunds, and investigates, and to which all employers belong, was provided for in the Pennsylvania, Minnesota, and Wisconsin 1923, 1925, and 1927 bills.

10. *Administrative cost.*—The Wisconsin, Minnesota, and Pennsylvania bills stipulated that a sum equal to 10 per cent of the total amount of premiums paid to the employers' mutual liability company or other carrier was to be paid by the employer, in addition to premium charges, to defray the cost of administration. In the Connecticut bill the administrative cost was included in the list of annual State appropriations. In the New York bills the contributions were estimated to be sufficient to cover these costs; in the Massachusetts bill (1916) salaries and administrative expenses for the first five years were paid

by the State but were to be repaid later from the accumulated reserves of the unemployment fund.

11. *Local procedure.*—In the Wisconsin, Pennsylvania, and first two Minnesota bills every employee was to be furnished with service cards by the industrial commission. At the time of entering employment these were filed with the local deputy of unemployment insurance at the district employment bureaus, operated by the State. Entries showing the employee's service record were then certified on the cards.

All claims for insurance were first filed with the local deputy. If approved by deputy and unopposed by the employer, compensation was to be paid out of the funds of employer, mutual liability insurance company, or other insurance carrier. The deputy was expected to render a decision within one day of the filing of the claim, and must also render weekly reports as to claims and compensation paid.

In the Wisconsin bill (1923) an additional provision stated that all claims must be filed within one month of cessation of employment. If the original claim were rejected, the deputy was to notify the claimant in three days. In the Minnesota bill (1927) the service-card system was eliminated. In the Massachusetts bill (1922) if the insurer and the insured employee could agree on the amount of compensation a memorandum was filed with the department of labor; if approved, payment was to follow. If there is no agreement, a hearing is held before a representative of the department; special investigators may also be appointed.

The Connecticut bill provided that application should be made on such forms as the employment insurance commission designated. Application for a hearing had to be filed within four days of notification of claim.

In the original Massachusetts bill, if claims were not settled by the local insurance officer, workmen had the right of appeal to local advisory boards or arbitration committee. In the New York bills, local administration was determined by joint boards of employers and employees. In both the Massachusetts and New York bills, if an insured person failed repeatedly to obtain or retain employment and it should appear that this condition was due largely to defectiveness of the insured person, the board might examine him by means of trade tests or arrange for transportation elsewhere for suitable employment. If the insured person proved incompetent, the board could arrange for technical training if the charges on the insurance fund were likely to be decreased because of this training.

12. *Contested claims.*—In most of the bills, the procedure on contested cases was similar to procedure under workmen's compensation. Appeals would be made from local decisions first to the industrial commission; further appeal (from the commission's decision) might be taken to a county court. In the Connecticut bill, appeals were to come first to the appeal board of the employment insurance commission whose decisions were final as to fact; appeal therefrom could only come before the supreme court of errors and only on questions of law.

In the New York bills appeals from local district boards were to be made to local boards of arbitration, and if there were disagreement with these decisions the case was referred to the commission. In the Massachusetts bill (1916) appeal from the decision of local arbitration boards was made first to the referee, and after 10 days an appeal from the referee's decision might be taken to the county court.

13. *Method of insurance.*—The most distinctive feature of the bills is the difference in method of insurance between the British group (Massachusetts (1916) and the New York bills), where the costs were borne jointly by employers, employees, and the State, and the Wisconsin group (all other bills except those noted above), where the liability was placed entirely on the last employer.

(a) The British group: Both the Massachusetts (1916) and the New York bills created unemployment funds. In the Massachusetts bill, 25 per cent was to be contributed by employees, 25 per cent by employers, and the remaining 50 per cent by the State. In New York each party was expected to contribute one-third of the total cost, except that an employer was to bear two-thirds of the cost when an employee earns less than \$8, the employee paying nothing. In Massachusetts the scale of contributions varied according to the employee's earnings, as follows:

Scale of earnings	Total estimated cost	Employer's and employee's share
\$8 or less	\$0.36	\$0.12
More than \$8, but less than \$12	.60	.20
\$12 or more	.75	.25

In New York, the amount of benefits was supposed to be sufficient for payment of benefits, maintenance of reserve, etc. The commission, in lieu of benefits to insured members of a labor union which paid unemployment compensation, might pay periodically a sum not in excess of 75 per cent of the total amount of benefits paid by the union. Under the Massachusetts bill, labor unions could receive refunds of 25 per cent of the total amount spent on benefits.

The Massachusetts proposal also allowed refunds equal to 50 per cent of the contributions made by employers on behalf of employees as well as payment similarly made during depression periods. At the age of 60, if 500 payments have been made by an employee, he might receive the total amount (in excess of benefits paid) plus 3 per cent interest.

(b) The Wisconsin group: In the original Huber bill, all employers had to become members of the employers' mutual unemployment insurance company unless on proof of financial stability they were permitted to become self-insurers. This company was to be organized 60 days after the act should be passed at a meeting of all the employers called by the insurance commissioner. In the proceedings, an employer was allowed one vote for every 100 employees. All by-laws, etc., were to be made by employers themselves. The mutual company would classify industries, establish risks, and apply schedules.

In the Wisconsin bills (1925 and 1927), the section dealing with an employers' mutual liability company was considerably modified in that independent employers' mutual insurance companies might be established, provided there were at least five employers and 1,500 separate risks in the mutual organization. In the Pennsylvania, Massachusetts (1922), and Minnesota bills no provision for an employers' mutual company was included; insurance might be placed in any authorized carrier.

The Connecticut bill followed the original Wisconsin proposal in providing for an employers' mutual company, but a flat premium of 3 per cent of the employers' pay roll was to be set for the first two years. At the end of the period, premiums might be adjusted to cover liability in each company.

In the Pennsylvania bill, a new feature (not contained in the original Wisconsin bill) was an employment insurance rating bureau in which all employers were to be members. This bureau replaced many of the functions originally given to the employers' mutual company in formulating charges, credits, refunds, and rates. The formation and organization of the rating bureau followed the provisions laid down for the creation of the employers' mutual insurance company. The Wisconsin (1923, 1925, and 1927) and Minnesota bills also provided a rating bureau.

14. *Advisory boards.*—Advisory boards of an equal number of employers and employees, together with one member at large as chairman, were to aid the industrial commissions in the settlement of disputes under the provisions of all the bills. Both employers and employees submitted lists as a basis of selection for these boards. Members served without pay. In the Massachusetts bill (1916), they arranged to arbitrate local contested cases, but arbitrary functions were not usually given them. In the 1922 bill, in Massachusetts, the size of these boards was definitely placed at from three to nine members. In the New York bills, the size ranged from 20 to 100 members, and the local boards appointed one member of the district arbitration board.

15. *Penalties.*—Violation of the proposed laws was generally treated as a misdemeanor. Usually the provisions allowed the choice of, or the combination of, fine and imprisonment. Most of the penalties assigned a separate fine for each offense. In the Wisconsin (1921), Pennsylvania, and first Minnesota bills misdemeanors were liable to fines up to \$500 or three months' imprisonment or both; an employer refusing or neglecting to comply with the regulations was liable to a fine of \$25; while persons abusing the service-card system

were liable to \$100 fine or 30 days' sentence. In the Wisconsin bill (1923) the latter misdemeanor was reduced to a fine of \$50 and an employer's violation to \$10. Violation by the employers' mutual liability company or agents thereof was punishable by a fine of \$50 to \$500. This same penalty was attached to company, carriers and the rating bureau in the 1925 and 1927 bills. In the Massachusetts bill (1922) employees and employers found guilty of violation of the act were subject to imprisonment of one year or \$1,000 fine or both. In the Connecticut bill an employer's offense was punishable by a fine of \$50 per offense.

The penalties in the British group naturally included fine and imprisonment for nonpayment of contributions in addition to penalties similar to those noted above. Under the Massachusetts provision failure on the part of the employee to pay regular contributions might result in loss of the first week's benefits, while neglect on the part of the employer might result in his paying three times the amount due. In the New York bills a fine of \$25 on the employer is added to the above provision.

16. *Date effective.*—The liability of the employer (or in the case of the British bills the date of the first contributions) usually begins July 1 of the same or succeeding years or directly after the passage of the act. The Massachusetts bill (1916) allowed no benefits until six months after the passage of the act.

#### SUMMARY OF PROPOSED LAWS BY STATES

##### MASSACHUSETTS (1916) BILL NO. 825-H, INTRODUCED JANUARY 14, 1916

*Disposition of bill:* Bill referred to committee, which held hearings but did not report bill out.

*Scope:* All workmen over 18 years of age, engaged in manual labor, in the employ of any person, firm, or corporation in an insured industry, earning \$25 per week or less. Insured industries include building, leather, textiles, rubber, tobacco, garment, paper products, printing and publishing, granite and stone extraction; manufacture of motors, engines, machinery, metals; manufacture and repair of all kinds of vehicles; construction and reconstruction of works such as railroads, docks, etc.; teaming and trucking.

*Exemptions:* Employers in insured industries with private unemployment insurance plans approved by insurance commissioners. All industries, including employers and employees not in list of insured industries. Clerks and all other employees not engaged in manual work.

*Definition of unemployment:* No insured person receives benefit if he is in receipt of similar benefit from any other source.

*Eligibility:* (1) 10 weeks' employment in each of preceding three years. (2) Payment of 26 weekly contributions. (3) Application made in prescribed manner. (4) Upon proof unemployed person is capable but unable to find suitable employment. (5) Right to benefits has not been exhausted. No person is required to take a job on account of strike or lockout or to work at wages lower than prevailing rates. Ineligibility includes persons voluntarily leaving, living outside of State, dismissed for reasonable cause, on strike or lockout, or confined in State institutions.

*Waiting period:* One week.

*Compensation (benefits):* (1) Workmen earning \$8 or less weekly receive \$3.50 weekly. (2) Workmen earning more than \$8 but less than \$10 weekly receive \$5.25 weekly. (3) Workmen earning more than \$10 receive \$7 weekly.

*Duration and regulation of compensation:* (1) Limit 10 weeks in any one insurance year. (2) Limit 1 week's benefit for every 6 weeks' contributions. Payments can not legally be waived or subject to attachment for debts.

*Date effective:* Six months after passage of act.

*General administration and authority:* Board of three unemployment insurance commissioners are appointed to administer act. Suitable administrative divisions within the State are established with local divisional officers who act in cooperation with local State employment offices. Chief commissioner is appointed by governor. The referee is likewise appointed; other officers are appointed by chief commissioner. Board has power to revise rates after five years. Solvency of fund is guaranteed by State, but sums advanced must be repaid out of unemployment fund.

*Administrative cost:* Salaries and administrative expenses for first five years are paid by State; afterwards out of unemployment fund.

*Local procedure:* All claims are first decided on by local insurance officer. Workman has right of appeal to local advisory board or arbitration committee. If insured person repeatedly fails to obtain board or arbitration committee appears wholly or partly due to defectiveness of insured person, the board may examine by trade tests or arrange for transportation elsewhere for suitable employment. If proven incompetent, the board may arrange for technical instruction to insured, if the charges on unemployment fund are likely to be decreased because of the instruction.

*Contested claims:* If the findings of the local arbitration board and the insurance officer disagree, the case is referred to the referee. An appeal from the decision of the referee may be taken in 10 days to the county superior court or court of Suffolk County on request of referee or chairman of arbitration committee.

*Method of insurance—Joint contribution:* One-fourth by employer, one-fourth by employee, and one-half by State paid into unemployment fund. All workmen are divided into three groups: (1) Those earning \$8 or less weekly, (2) those earning more than \$8 but less than \$12, (3) those earning more than \$12. The total estimated costs for the three groups are \$0.36, \$0.60, and \$0.75 weekly; the workman and employer paying respectively \$0.12, \$0.20, and \$0.25. Payments are made through local State employment office or by way of repayments to associations. Special provisions are made for piece and day workers.

*Refunds:* Within one month of close of insurance year, commissioners refund one-half of total contributions made by employers for employees and also payments made by employer on behalf of employees during depression period. At age of 60, if 500 contributions have been made by employee, employee receives total amount paid (in excess of insurance payments) at 3 per cent interest. Voluntary associations of workmen may receive refund of one-fourth of amount expended on unemployment benefits.

*Advisory board:* Local advisory boards are created in same fashion as under Wisconsin bill (1921), except they arbitrate local contested claims.

*Penalties:* False representation or statement by employee is liable to imprisonment of three months or \$100 fine or both; an employer's misdemeanor is punishable by a fine of \$100; failure to pay contributions by employee may result in loss of first week's benefits, while the employer may be required to pay three times the amount due. Willful delay to an inspector may result in fine of \$50.

##### MASSACHUSETTS (1922), SHATTUCK BILL NO. 273-H, INTRODUCED JANUARY 5, 1922

*Date of amendments:* None.

*Disposition of bill:* Unfavorably reported back and received no favorable votes.

*Scope:* Age limit set at 18 years of age, otherwise same as Wisconsin bill (1921).

*Exemptions:* Excludes persons engaged in interstate commerce; masters of or seamen engaged in such commerce; domestic servants whose annual income is \$1,500; otherwise same as Wisconsin bill (1923).

*Definition of unemployment:* Same as Wisconsin bill (1921).

*Eligibility:* Same as Wisconsin bill (1921).

*Waiting period:* Six days.

*Compensation:* One dollar and fifty cents daily, or 60 per cent of average daily wages during last 30 days employed. Transportation is allowed.

*Duration and regulation of compensation:* Limit in 1923, 3 weeks; limit in 1924, 4 weeks; limit in 1925, 6 weeks. Otherwise same as Wisconsin bill (1921).

*Date effective:* July 1, 1923.

*General administration and authority:* State department of industrial accidents is charged with same responsibility as under workmen's compensation law. Department divides commonwealth into employment districts and may maintain one or more free employment offices in each district to aid in carrying out act.

*Administrative cost:* No statement.

*Local procedure:* If insurer and insured employee agree as to compensation, a memo is filed with department. If approved, payment follows. If there is no agreement or memo is not approved, a hearing is held before representative of department. His decision is filed with department. Special investigators may also be appointed.

Contested claims. A reviewing board of the industrial accident department may hear contested claims. Appeal from decision of reviewing may be taken to respective superior county court.

Method of insurance: Insurance may be placed in any authorized liability insurance company. Classifications of risks, premiums, policies, etc., are subject to approval of insurance commissioner. Two or more companies may unite in writing policies. Insurance companies may be required to make deposits against claims, and foreign insurance companies must be bonded.

Advisory boards: Advisory boards of 3 to 9 members may be appointed in manner similar to Wisconsin 1921 bill. They carry out similar functions.

Penalties: Employers and employees found guilty of violation of act are subject to imprisonment of one year or a fine of \$1,000, or both, at discretion of the court.

## NEW YORK

## New York, 1921, 1926, and 1927

Name of bill	Number of bill	Date introduced
Ort.....	849-A.....	Feb. 21, 1921
Cuvillier.....	22-A.....	Jan. 11, 1926
Do.....	212-A.....	Jan. 18, 1927
Do.....	535-A.....	Jan. 26, 1927

Date of amendments: None.

Disposition of bill: None of the bills were reported back according to available information.

Scope: All employed persons engaged in manual labor and all other employed persons earning \$50 a month or less must be insured in a social insurance fund covering old age, unemployment, death, sickness, and noncompensable accidents.

Exemptions: Federal employees; State and municipal employees for whom sickness provision has already been made; inmates of State institutions; casual employees not engaged in regular course of employer's trade or business; members of employer's family not paid money wages; agents and others paid by commission or fee. Home workers; persons temporarily employed for less than one week; members of religious societies employed in nursing, educational work, etc., may be exempted. Self-employed persons with less than \$50 a month income; persons formerly compulsorily insured who apply for voluntary insurance, or members of employer's family working without wages may voluntarily insure.

Definition of unemployment: All persons, who having been employed in an insured trade under the act, are unemployed. No insured person receives unemployment benefit if he is in receipt of sickness, disablement, or old-age benefit.

Eligibility: (1) 26 weeks' employment in any insured trade in each of preceding 5 years. (2) Application made in prescribed manner. (3) Upon proof, unemployed person is capable but unable to find suitable employment. (4) Right to unemployment benefits has not been exhausted. No person is required to take a job vacant on account of strike or lockout; or to work at wages lower than prevailing rates. Other provisions similar to Wisconsin bill (1921).

Waiting period: One week.

Compensation (benefits): Five dollars or any sum prescribed not exceeding \$8 either generally or for any trade or branch thereof. Benefits are not paid for any unemployment occurring within six months of commencement of act.

Duration and regulation of compensation: (1) Limit, 15 weeks in any 12 months' period. (2) Limit of 1 week's benefit for every 5 weeks' contributions paid by employee or for employee under act. (3) If person has been regularly employed before commencement of act there shall be deemed to be added to number of contributions actually paid, 5 contributions for each 3 months worked up to maximum of 25 contributions.

Date effective: January 1, 1922; January 1, 1927; January 1, 1928; January 1, 1929.

General administration and authority: Social insurance commission is charged with responsibility of enforcing old age, unemployment, death, sickness, and noncompensable-accident insurance. The commission creates a bureau of unemployment insurance under direction of a deputy commissioner. Commission has power to make all rules and regulations, but can not increase rates or periods of unemployment beyond those prescribed by the act until after a 5-year period.

Administrative cost: Amount of contributions are computed to be sufficient for payments of benefits; to cover expenses of administration; to set up reserves, and to maintain funds.

Local procedure: All claims for unemployment and all collections connected therewith are determined by district board of the fund; membership is composed equally of employers and employees. If insured person repeatedly fails to obtain or retain employment, and it appears wholly or partly due to defectiveness of the insured person, the board may examine by trade tests or arrange for transportation elsewhere for suitable employment. If proved incompetent, the board may arrange for technical instruction to insured, if the charges on unemployment fund are likely to be decreased because of this instruction.

Contested claims: If benefit is refused or not in accordance with claims, unemployed person may require district board to refer matter to board of arbitration of 3 members, 1 selected by district fund, 1 by insured person, 1 appointed by local county judge. If district board disagrees with arbitration-board findings, case is referred to commission.

Methods of insurance: Benefits are derived from joint contributions from employers, employees, and the State, each paying one-third total cost, except employer bears two-thirds of the cost when employee receives \$3 or less weekly and employee pays nothing. Amount of contributions are computed so as to be sufficient for payment of benefits, maintenance of fund, reserves, etc. Upon application of a labor union which pays unemployment benefits, the commission may arrange, in lieu of benefits to insured members of the union, to pay periodically out of the unemployment fund a sum not in excess of three-fourths of the amount of benefits paid by the union.

Advisory boards: Local boards with equal numbers of employer and employee representatives and elected by their respective groups, ranging in size from 20 to 100 members, have charge of local administration of funds. They appoint one member of the district arbitration board.

Penalties: Evasion of the act is termed a misdemeanor. Persons making false statements are liable to a fine of \$25; employers failing to contribute are liable to a fine of \$25 for each offense and must pay a sum three times the amount neglected to pay.

## WISCONSIN (1921), HUBER BILL NO. 122-S, INTRODUCED FEBRUARY 4, 1921

Dates of amendments: May 3, 1920; June 1, 2, 1921.

Disposition of bill: Indefinite postponement voted, 19 ayes, 10 noes, June 2, 1921.

Scope: All male and female employees, 16 years of age and over of every corporation, and of employers not incorporated, who employ three or more persons. Liability rests on last employer.

Exemptions: (1) Farms, canneries, State, cities, towns, villages, townships, school districts, private employers of less than three persons, and employees of each. (2) Persons whose employment is not in the regular course of occupation or trade involved. (3) Persons dependent on others for their livelihood. (4) Persons whose annual income exceeds \$1,500 or who receive pensions of \$500 or more.

Definition of unemployment: A person is unemployed on any day when he is not following an occupation for which he derives remuneration or wages; or when his weekly wage is less than 75 per cent of his regular weekly remuneration. Two periods of unemployment of not less than two days each, separated by a period of not more than three days each, are treated as a period of continuous unemployment. Temporary shut-down of less than one month on account of fire, flood, etc. is not deemed a period of unemployment. In industries operating regularly in seasonal periods, compensation is paid only when unemployment occurs outside of usual seasonal period.

Eligibility: (1) 26 weeks' service for one or more employers. (2) Application in prescribed manner. (3) Unemployed person eligible if is capable and

available but unable to find suitable employment. Ineligibility includes persons voluntarily leaving work; dismissed for reasonable cause; on strike or lockout; confined in State institutions; or whose unemployment has been caused by act of God.

Waiting period: Three days.

Compensation: Fifty cents per work day to those under 18 years of age; \$1 to those over 18. Provision is also made for transportation to place of suitable work outside local district.

Duration and regulation of compensation: (1) First 3 years, 6 weeks; after 3 years, 13 weeks. (2) Limit of one week's compensation for every four weeks person has worked for employers. (3) Payments can not legally be waived or be subject to attachment for debts.

Date effective: After passage of bill.

General administration and authority: State industrial commission is charged with responsibility of enforcement in similar fashion to workmen's compensation act. The commission, the insurance commissioner, and compensation insurance board, within their respective jurisdictions have power and authority to make investigation, classification, rules, orders, and regulations from employers and Employers' Mutual Employment Insurance Co. in order to enforce provisions of the act.

Administrative cost: Ten per cent of premiums paid to Employers' Mutual Co. or other carrier.

Local procedure: All employers are furnished by industrial commission with service cards which are filed with deputy at free State employment bureaus at the time of entering employment. Entries are certified on these cards, showing length of service. All claims for compensation are first filed with local deputy. If approved by deputy and uncontested by employer, compensation is paid from funds of Employers' Mutual Employment Insurance Co. The deputy must render decision within one day of filing claim; also must render weekly reports as to claims and compensation paid.

Contested claims: If any person, employer, corporation, or mutual insurance company contests decision of deputy, appeal may be made first to industrial commission; further appeal may be made from decision of industrial commission to Dane County circuit court. The attorney general represents the commission in circuit court.

Method of insurance: All costs are borne by the employer who is liable to become a member of Employers' Mutual Insurance Co. unless upon proof of financial ability he may be exempted to become a self-insurer. Sixty days after passage of act commissioner of insurance calls meeting of representatives of employers to organize said company, each employer being entitled to 1 vote for every 100 employees. All by-laws, etc., are made by employers themselves. The company classifies industries according to unemployment risks; applies schedules and rates; establishes charges and premiums; assists in promoting regularity of employment. At end of three years, if reserve funds in company are less than reasonable ratio to net liabilities, periods for which compensation may be paid may be reduced.

Advisory boards: Upon basis of lists submitted by employers and employees, an equal number of members from both groups, together with one member at large as chairman, may be chosen to act as an advisory board to advise industrial commission in settlement of disputes. Members serve without pay. Local boards may also be formed.

Penalties: Employees who secure false payments are liable to fine of \$500 or three months' sentence, or both; employers guilty of misdemeanor may be fined \$25 for each offense. Persons abusing service card are liable to 30-day sentence or \$100 fine.

WISCONSIN (1923), HUBER BILL, NO. 53-S, INTRODUCED JANUARY 25, 1923

Date of amendments: May 10, 1923.

Disposition of bill: Engrossment and third reading in senate refused—ayes, 6; noes, 17; June 27, 1923.

Scope: Limit extended to unincorporated employers with six or more persons.

Exemptions: Excludes canneries, private employers with less than six persons, and persons dependent on pensions. Otherwise same as 1921 bill.

Definition of unemployment: Same as 1921, except regularly recurring vacations are not deemed periods of unemployment.

Eligibility: Same as 1921, except 26 weeks' service must be in 2 preceding years.

Waiting period: Same as 1921.

Compensation: Same as 1921, except no employee receives equal to or more than 65 per cent of his usual weekly wages.

Duration and regulation of compensation: Same as 1921, except limit is set for 13 weeks in any one year.

Date effective: July 1, 1924.

General administration and authority: In addition to the industrial commission, the Employers' Mutual Insurance Co., and advisory boards, all companies become members of an employment insurance rating bureau which classifies industries, establishes charges, credits, refunds, and investigates employment conditions. Formation and organization are similar to the Employers' Mutual Insurance Co.

Administrative cost: Same as 1921.

Local procedure: All claims must be filed within one month after cessation of employment. If claim is rejected deputy notifies claimant within three days. Otherwise same as 1921 bill.

Contested claims: The industrial commission may provide local boards, consisting of employers and employees for hearing of contested claims, and may make rules for such hearings. Otherwise same as 1921.

Method of insurance: If a nonexempt employer has not taken out a policy by July 1, 1924, or paid premium due, he may be served with an injunction restraining him from business. A prepaid premium is due February 1, 1924, at rate of \$0.50 per employee. An annual tax is paid by exempt employers, equal to 10 per cent tax paid out of premiums of Employers' Mutual Co. The mutual companies, with the approval of the compensation insurance board, establish separate funds by groups of industries so that each industry bears the cost of its own unemployment. All such rates are filed with insurance board. Otherwise, same as 1921.

Advisory boards: Same as 1921.

Penalties: An employer's misdemeanor is limited to a fine of \$10, but each day's violation counts as separate offense. Service-card abuse is limited to a fine of \$50. Violation by Employer's Mutual Co. or agent is punishable by a fine from \$50 to \$500.

WISCONSIN (1925), HECK BILL NO. 103-S, INTRODUCED FEBRUARY 3, 1925

Date of amendments: None.

Disposition of bill: Indefinite postponement voted—20 ayes, 12 noes, June 25, 1925.

Scope: Same as 1923.

Exemptions: Same as 1923.

Definition of unemployment: Same as 1923.

Eligibility: Same as 1923.

Waiting period: Same as 1921.

Compensation: Same as 1923.

Duration and regularization of compensation: Same as 1923.

Date effective: July 1, 1926.

General administration and authority: Same as 1923.

Administrative cost: Same as 1921.

Local procedure: Same as 1923.

Contested claims: Same as 1923.

Method of insurance: Independent employer insurance companies may be established provided there are at least five employers and 1,500 separate risks in the mutual organization. Minimum pure premiums are subject to approval by compensation insurance board. The board may also carry on rate hearings.

Advisory boards: Same as 1921.

Penalties: Violation by company or rating bureau is subject to a fine of from \$50 to \$500 and loss of license (except in case of Employers' Mutual Insurance Co.).

WISCONSIN (1927), COLEMAN BILL NO. 96-A, INTRODUCED MARCH 1, 1927

Date of amendments: None.

Disposition of bill: Indefinite postponement voted—66 ayes, 20 noes, March 23, 1927.

Scope: Same as 1923.

Exemptions: Same as 1923.

Definition of unemployment: Same as 1923.  
 Eligibility: Same as 1923.  
 Waiting period: Same as 1921.  
 Compensation: Same as 1923.  
 Duration and regulation of compensation: Same as 1923.  
 Date effective: July 1, 1923.  
 General administration and authority: Same as 1923.  
 Administrative cost: Same as 1921.  
 Local procedure: Same as 1923.  
 Contested claims: Same as 1923.  
 Method of insurance: Same as 1925.  
 Advisory boards: Same as 1921.  
 Penalties: Same as 1925.

PENNSYLVANIA (1921) MILLER BILL NO. 1100—HOUSE, INTRODUCED MARCH 21, 1921

Date of amendments: None.  
 Disposition of bill: Referred to committee on insurance, March 22, 1921.  
 Scope: Same as Wisconsin bill (1921).  
 Exemptions: Same as Wisconsin bill (1921).  
 Definition of unemployment: Same as Wisconsin bill (1921).  
 Eligibility: Same as Wisconsin bill (1921).  
 Waiting period: Same as Wisconsin bill (1921).  
 Compensation: \$0.75 per work day to those under 18; \$1.50 over 18. Commission has right to change rates in relation to cost of living.  
 Duration and regulation of compensation: Same as Wisconsin bill (1923).  
 Date effective: After passage of bill.  
 General administration and authority: Similar to Wisconsin bills (1921 and 1923) except that there is no provision for the creation of an employers' mutual employment insurance company. The rating bureau assists private carriers in establishing rates.  
 Administrative cost: Same as Wisconsin bill (1921).  
 Local procedure: Same as Wisconsin bills (1921 and 1923) except the term "manager" instead of "deputy" is used.  
 Contested claims: Appeals from decision of industrial commission may be taken to county courts in which employment office is located. Otherwise same as Wisconsin bills.  
 Method of insurance: Insurance may be placed in any authorized insurance carrier or by mutual insurance, or employer may be self-insurer after he has been exempted on proof of financial standing. The state may require bonds of self-insurers. Otherwise, same as Wisconsin bills.  
 Advisory boards: Same as Wisconsin bill (1921).  
 Penalties: Same as Wisconsin bill (1921).

MINNESOTA (1923), BOYLEN BILL NO. S. F. 248, INTRODUCED JANUARY 25, 1923

Date of amendments: None.  
 Disposition of bill: Reported back on April 12, 1923, and failed of passage.  
 Scope: Same as Wisconsin bill (1921).  
 Exemptions: Same as Wisconsin bill (1921).  
 Definition of unemployment: Same as Wisconsin bill (1921).  
 Eligibility: Same as Wisconsin bill (1921).  
 Waiting period: Same as Wisconsin bill (1921).  
 Compensation: Same as Pennsylvania bill.  
 Duration and regulation of compensation: Same as Wisconsin bill (1923).  
 Date effective: July 1, 1923.  
 General administration and authority: Similar to Wisconsin bills (1921 and 1923) except administration is under department of labor and industry and that no provision is made for Employers' Mutual Employment Insurance Co. Rating bureau assists in determining rates and schedules.  
 Administrative cost: Same as Wisconsin bill (1921).  
 Local procedure: Same as Wisconsin bill (1921) except service card system is eliminated.  
 Contested claims: Appeals are made in same manner as under workmen's compensation law.  
 Method of insurance: Same as Wisconsin bills.  
 Advisory boards: Same as Wisconsin bill (1921).  
 Penalties: Same as Wisconsin bill (1921).

MINNESOTA (1925) STARKEY AND M'DONOUGH BILL NO. H. F. 993, INTRODUCED MARCH 11, 1925

Date of amendments: None.  
 Disposition of bill: Referred to committee on workmen's compensation. Not reported back.  
 Scope: Same as Wisconsin bill (1923).  
 Exemptions: Same as Wisconsin bill (1923).  
 Definition of unemployment: Same as Wisconsin bill (1923).  
 Eligibility: Same as Wisconsin bill (1923).  
 Waiting period: Same as Wisconsin bill (1921).  
 Compensation (benefits): One dollar per working day over 18 years of age; under 18 years of age, \$0.50. No compensation higher than 65 per cent of usual weekly wages.  
 Duration and regulation of compensation: Same as Wisconsin bill (1923).  
 Date effective: July 1, 1925.  
 General administration and authority: Same as Wisconsin bills (1921 and 1923).  
 Administrative cost: Same as Wisconsin bill (1923).  
 Local procedure: Same as Wisconsin bill (1923).  
 Contested claims: Same as Wisconsin bill (1921).  
 Method of insurance: Same as Wisconsin bill (1921).  
 Advisory boards: Same as Wisconsin bill (1921).  
 Penalties: Same as Wisconsin bill (1921).

MINNESOTA (1927), STARKEY BILL NO. H. F. 630, INTRODUCED FEBRUARY 15, 1927

Date of amendments: None.  
 Disposition of bill: Referred to committee on workmen's compensation; reported back April 6, 1927. Indefinite postponement voted, 55 ayes and 32 noes.  
 Scope: Same as Wisconsin bill (1923). Liability effective July 1, 1928.  
 Exemptions: Farm laborers; persons whose employment is not in regular course of trade or business; persons whose income from other than manual labor is \$1,500 or more.  
 Definition of unemployment: A person is deemed unemployed when his usual weekly wage is reduced to less than 75 per cent of usual weekly pay. Otherwise same as Wisconsin bills (1921 and 1923).  
 Eligibility: Same as Wisconsin bill (1923).  
 Waiting period: Same as Wisconsin bill (1923).  
 Compensation (benefits): Same as Wisconsin bill (1923).  
 Duration and regulation of compensation: Same as Wisconsin bill (1923).  
 Date effective: July 1, 1927.  
 General administration and authority: Same as Wisconsin bills (1921 and 1923).  
 Administrative cost: Covered by 10 per cent fee of premiums paid to Employers' Mutual Liability Insurance Co. or other carrier.  
 Local procedure: Same as Minnesota bill (1923).  
 Contested claims: Same as Wisconsin bill (1921).  
 Method of insurance: Same as Wisconsin bill (1921).  
 Advisory boards: Same as Wisconsin bill (1921).  
 Penalties: Same as Wisconsin bills (1923 and 1925).

CONNECTICUT (1927) STEIBER BILL NO. 362—H INTRODUCED JANUARY 26, 1927

Date of amendments: None.  
 Disposition of bill: After unfavorable report of judiciary committee, March 10, 1927, was rejected in both house and senate.  
 Scope: No age limit. Confined to employers who have five or more employees.  
 Exemptions: Excludes persons engaged in interstate commerce; whose annual income exceeds \$1,000; employers with less than five employees; otherwise same as Wisconsin bill (1921).  
 Definition of unemployment: A person is deemed unemployed when his weekly wage is less than 80 per cent of average full-time weekly wages. Otherwise as Wisconsin bills (1921 and 1923).  
 Eligibility: Same as Wisconsin bill (1921).  
 Waiting period: Two days.

Compensation: One dollar and twenty-five cents daily to those under 18; \$2.50 daily to those over 18, provided weekly rate does not exceed two-thirds of full-time weekly wage at time of last employment. Self-insurers pay \$1.75 and \$3.50 respectively, provided rate does not exceed three-fourth of regular wages.

Duration and regulation of compensation: Limit 20 weeks in 1 year; otherwise same as Wisconsin bill (1921).

Date effective: After passage of bill.

General administration and authority: Employment insurance commission is created, composed of commissioner factory inspector; chairman of compensation commission, and five other members (two of whom must be trade-union members in good standing) appointed by governor. The two members receive \$2,500 in addition to present salary; the five other members \$5,000. Deputies are appointed in each county to carry out the act.

Administrative cost: Included in annual appropriations of State.

Local procedure: Claims are made in such form as employment insurance commission may designate, with deputies within one month of cessation of employment. Application for hearing on claims must be filed within four days of such notification.

Contested claims: Upon application for a hearing, contested cases may come before appeal board of employment insurance commission whose decisions are final as to fact. Appeals therefrom can only come before supreme court of errors and only on questions of law.

Method of insurance: Same as Wisconsin bill (1921) except that premiums are established as 3 per cent of the employers' pay roll for first two calendar years; additional assessments may be made on individual companies' liability greater than premium. At end of two years, Employers' Mutual Co., with approval of insurance commission, may adjust premiums to cover liability. Period of payments may be also adjusted if assets fall below net reserve and liability of company. Company has right to set premiums and schedules by separate industries.

Advisory boards: Local boards may be created to hear contested claims

Penalties: Employers found guilty of violating the provisions of the act forfeit \$50 for each offense. Each day's violation counts as a separate offense.

**STATEMENT SUBMITTED BY THE METROPOLITAN LIFE INSURANCE CO. IN RESPONSE TO A REQUEST MADE BY SENATOR COUZENS ON JANUARY 17, 1929, ASKING ON BEHALF OF THE COMMITTEE ON EDUCATION AND LABOR A STATEMENT ON THE FOLLOWING QUESTIONS:**

1. "What has been the experience of your company in securing acceptable information on the extent of unemployment?"

2. "How far has unemployment insurance been adopted by American industry?"

3. "Do you feel that the existing scheme of unemployment insurance in the United States is effective in (a) bringing about stabilization of employment; (b) giving an income to the unemployed worker when he is out of a job?"

4. "Is it, in the opinion of your company, feasible for such an organization as yours to write group unemployment-insurance policies?"

Question No. 1. "What has been the experience of your company in securing acceptable information on the extent of unemployment?"

A search for data in this country will result in quite a miscellaneous collection of information. A considerable amount of statistics derived from the British unemployment insurance act is available, but is of little value for use in this country since that experience is practically confined to the war years and postwar years.

This company has from time to time made efforts to obtain unemployment data along the lines noted above from the experience of the employers covered under group policies. However, these attempts met with little success. There is little national data worth mentioning as to volume of unemployment during recent years, and none at all as to unemployment by age, duration, and cause.

Even if rather detailed unemployment information were available for the last few years, we doubt the extent to which such information would be reliable in determining unemployment-insurance premiums for future years because of the unusual industrial conditions for the last few years.

When the British unemployment scheme was under consideration there were a certain amount of data available and the actuaries were compelled to base

their plan upon this limited supply of statistics. In general this is true in all lines of insurance. The initial plans are predicated upon such limited experience as is available, and as more definite data accumulates the necessary changes are made. The data available in this country at the present time are probably as extensive as the data that were available in England prior to 1911. It might have to be adjusted in an attempt to make it comply with the present conditions. A simple comparison might be the difficulty at the present time in obtaining reliable mortality experience on aviators. One source of employment statistics is the reports published by the New York State Department of Labor. Those published prior to 1913 are probably better for this purpose than those published subsequently.

From the standpoint of an insurance company more detailed information would be desired. The effect of cyclic, seasonal, age, and other influences would be considered as well as with different industries and subdivisions thereof. Before long they would probably be subdivided according to sex and salary groups. In just the same way that death claims are analyzed by causes of death, so unemployment would be analyzed by cause such as lack of work, lack of material, weather, sickness, etc. In determining any coverage the duration of unemployment should be one of the most important factors.

Question 2. "How far has unemployment insurance been adopted by American industry?"

There is attached to this statement a list of the unemployment insurance plans established in America. The list is shown separately for trade-union plans and those set up by the employers and includes a short summary of the benefits and, where available, the experience to date. These lists give the plans of which our files have a record.

It is our general observation that American industry in the last few years has been placing most of the emphases on prevention of unemployment through regularization and stabilization of employment. The limited number of plans shown in the lists indicate that there has been very little development in unemployment insurance in American industry although it is interesting to note that much of the development has been in the clothing and similar industries which have an excessively high rate of unemployment.

While we believe it is fair to say that there is a great deal of interest being shown by American industry in the general problem of employment and that many large corporations are seeking methods by which unemployment may be reduced, American industry, as a whole, has not as yet shown any great interest in unemployment insurance.

Question 3. "Do you feel that the existing scheme of unemployment insurance in the United States is effective in—

(a) Bringing about stabilization of employment?

(b) Giving an income to the unemployed worker when he is out of a job?"

As indicated by a study of the two lists submitted on the second question there has not been a sufficient amount of experience in this country to answer the first question definitely. However, the experience to date indicates that unemployment-insurance schemes resulting from private initiative is effective in bringing about stabilization of employment. There seems to be a tendency for the employer with unemployment-insurance schemes to improve upon the old methods of taking on and laying off employees from day to day as warranted by the business. The tendency seems to be for the employer to have less employees on his rolls during the year but more employment throughout the year for the smaller number of employees.

Almost any type of insurance, if it is to be the best type of insurance, should have a twofold object: It should pay an indemnity in the event of a certain contingency occurring, and secondly, it should aim to prevent an occurrence of the contingency. If an unemployment insurance is set up to accomplish both of these objects (and it is not a difficult task to set up such a scheme) it seems reasonable to anticipate that they should operate to stabilize employment because in unemployment insurance, as well as in other forms of insurance, savings in dollars and cents are among the most effective preventive measures.

The third question is one which touches on the main justification for unemployment insurance and we think it may be of interest to set out at some length, our opinions on the probable advantages that would accrue to both labor and industry from the adoption of unemployment insurance.

Certainly some method of handling the unemployment problem should be developed and the feasibility of writing group unemployment insurance for

private industry is one method that has been suggested. An attempt to discuss the probable advantages of this type of insurance leads to the conclusion that it is one of those forms of insurance that is both social and economic.

In considering as a social problem in connection with the relation of persons as living in society or the public as an aggregate body, the tendency is naturally to be influenced by more particular cases rather than from the viewpoint of industry at large and the larger effect is often lost sight of.

Thus, for Canada, in the report, "Proceedings and evidence of the select standing committee on industrial and international relations upon the question of insurance against unemployment, sickness, and invalidity as ordered by the House on the 21st day of March, 1928," it is stated on page 108 by Mrs. R. A. Gray that there were 3,173,169 gainfully employed; while on page 42, Mrs. Edith Rogers states, "It is terrible to think of our people having to come down to the dole system year in and year out. As the years go on, it is seen that it is the men who are relieved in the same class and almost the same ones who are coming in for assistance."

This small class of perennials resulting through indolence, lack of moral fiber, inadequate mental or physical equipment, lack of judgment, adverse fortune, etc., have what might be called "absence of income" rather than "loss of income." This group offers a social problem which has always existed and is in the main a problem for society in general. It includes the unfortunates of society who produce little wealth and for whom funds of the community must be provided as a matter of relief. Parenthetically it might be stated that they are a problem not only during what should be their active career but in their old age and are used as an argument for State old-age pension although an analysis of those dependent in Massachusetts a few years ago indicated that a very large majority needed special care and attention rather than simple income.

This group of people are quite different from those who are actively engaged in industry but who, through the simple failing of work, lose their employment and who, therefore, offer a problem which might be called "industrial." It is in the main a product of the present organization of industry and its problem should be approached with that view in mind. Unfortunately there is a cross section of this industrial problem finding its way into the social problem as many of the unfortunates endeavor to function in industry but find the task too difficult. All industrial labor turnover is not due to this cause but undoubtedly a very substantial part is. My own company at the end of 1927 had over 1,150,000 lives insured under group life policies covering the employees of nearly 3,000 employers. During the year 1928 approximately 425,000 of these employees severed their connection with the employer and except where they discontinued to take other employment were out of work, but this loss of employment was not due to economic conditions or to the fact that work was not there because the same employers that lost over 425,000 employees were of necessity compelled to employ 430,000 so that at the end of 1928 they had more employees than at the end of 1927.

Some few years ago a questionnaire was sent to all of the employers whose employees were then insured in our company. Five hundred and twelve employers employing 159,626 employees responded and reported that the total employees ceasing work were 31,336 of whom 3,635 were laid off on account of lack of work. These figures appear in a pamphlet on "Unemployment insurance" presented by the undersigned to the Actuarial Society of America, copy of which is herewith submitted. It is this differentiation between the social problem and the industrial problem, this consideration of 31,336 discontinued employees when only 3,635 found their work gone, which makes solution difficult. The British unemployment insurance commenced in 1912 as a kind of industrial problem insuring 2,000,000 employees in certain specific industries but later in July, 1921, was changed to more of a social problem and 12,250,000 or practically all of the working population were included. As an industrial problem the scheme was apparently successful in 1913.

It was also successful in the years following but on account of the war it was to be expected that unemployment would not exist and importance should not be attached to its then continued success. In 1921 the industrial collapse came and it was perhaps an expedient thing for the British to convert their unemployment insurance from a more industrial to a social problem by including practically all of the working population even though the financial experience which followed was such that up to date the Government has had to borrow over £30,000,000 and has just obtained permission to borrow an

additional £10,000,000. Under the stress of circumstances various safeguards were temporarily repealed and benefits made payable for longer periods. The old causes of unemployment for "misconduct" and "leaving without cause" were changed to "suitable employment" and political pressure being brought it is not surprising that the stricter insurance practice materially changed and financial difficulties ensued.

What advantage would accrue to this country and to both labor and industry from considering the question as an industrial policy or as a social policy or both? Our studies indicate that the social problem is one that the Nation or the various States or localities will have to solve but that they hardly come under the category of a sound insurance proposition whereas the industrial problem arising from employers actually dispensing with employees because changed economic conditions or efficiency in machinery render it necessary to dispense with certain employees after a fixed term of service is one which does offer an insurance problem and one which industry should solve.

Unemployment in the sense that work is not available is a real industrial accident and one for which the employee is in no way responsible. From an economic aspect it affects both the employee and the employer in somewhat the same manner as death, sickness, or accident. The income ceases with abruptness and in the complexities of the modern business life the employee is apt to drop out and be forgotten.

Increased necessity for protection against these contingencies follow from the economic evolution of the world and the development of the present industrial era. American industry does not hesitate to disregard previous practices or customs, and has begun to consider problems of old age, disability, and unemployment as is well illustrated by the statement of Mr. E. C. Draper, treasurer of Hills Bros. Co., who said:

"My enthusiasm for preventive measures against evils of this character is primarily an economic one, because, being a business man, I like to view these problems from an economic standpoint. It is high time that modern business men stopped thinking about the hazards of industry as charitable problems and began thinking about them as industrial problems which directly affect their net income."

The American people have a natural aptitude for doing various things. Their inventive genius is second to none. Industry will always be changing, always be developing and there will always be old tasks finished and new avenues for employment, so that employees while not considering themselves born into one occupation and entitled to insurance benefits, if there is not work in that particular occupation, should nevertheless be given reasonable assistance and opportunity to make a suitable change. According to an article by Samuel Crowther on unemployment in the United States, published in the Saturday Evening Post of June 30, there have been more than 20,000 new chain stores established since 1919, 1,000,000 washing machines and vacuum cleaners are being produced each year, 100,000 people are thought to be engaged in the radio business, and nearly 1,500,000 in the automobile business when we include the 600,000 who are engaged in the new business of filling stations. These figures indicate changes in employment which must come if a nation is to continue prosperous and those work in so-called unsheltered industries should be prepared and assisted to move and seek other fields when conditions demand their doing so.

It is our belief, therefore, that the existing schemes of unemployment insurance show a tendency to be effective in bringing about stabilization of employment and that of giving an income to the employed worker when he is out of a job on account of the inability of the employer to provide work. We do not feel that the present schemes of unemployment insurance will provide an income to the person who is unemployable. Furthermore, we do not think that any insurance scheme should have as its purpose the giving out of an income to such persons. That problem is a social problem and not an insurance problem.

Question No. 4. "Is it, in the opinion of your company, feasible for such an organization as yours to write group unemployment insurance policies?"

Our company has a keen interest in the prosperity of the country and in the welfare and happiness of its people. At the end of 1928 the company had over 42,000,000 policies in force on lives who were residents in the United States and Canada insuring \$16,400,000,000 of insurance. About one-fifth of the population was insured and as a mutual company we have felt that the company was a public institution with a responsibility toward its members

outside of the strict insurance business. Conscious of the tragedy of unnecessary sickness and premature death, of disturbed working and unsatisfactory social conditions it has endeavored systematically to prevent them. Where possible it has tried to help with the social problem and it has given very serious thought and attention to the industrial problem. At the end of 1928 it had over 1,300,000 employees insured for \$2,250,000,000 of insurance under group life policies, over 600,000 employees insured for over \$8,500,000 of weekly benefit under group health policies and nearly 40,000 employees covered for superannuation benefits of approximately \$1,000 to each employee under group pension contracts. It feels that it should endeavor to provide protection for unemployment and so assist in any transition period. Our attention was more favorably drawn to this fact by President-elect Hoover who, when Secretary of Commerce and while addressing a meeting of the managers of the Metropolitan Life Insurance Co., said:

"Unemployment insurance in the hands of a great institution as yours, is not socialism. Insurance in the hands of the Government is the encroachment of bureaucracy into the daily life of our people, and do commend to your president and to your officers and to you, that here remains the one great field in which insurance can be employed scientifically founded on a basis of actual savings, contributed to by the employer, and in which you can provide one of the greatest safeguards to our social stability."

If permission is given by the State legislature, this challenge will be accepted, and the company will prepare a contract known as a group policy, and as outlined in the pamphlet referred to and submitted herewith, this policy will provide, in effect, that the employer pay in the form of premiums a certain fund into the treasury of the company, and the company in turn pay certain amounts to certain employees under certain prescribed conditions. Might it not be one solution of the problem to have life-insurance companies undertake for employers the trusteeship of industrial depression reserves, or unemployment premiums, and agree to pay certain amounts to certain employees under prescribed conditions and assist the employer to the extent of its ability in stabilizing his business? Such a contract might well provide that no employee should be covered until at least six months' employment has been rendered; that for the purpose of the contract unemployment would be defined as time lost through the inability of the employer to provide work, and that voluntary resignations or dismissals on account of inefficiency were risks not insured against. Under such a contract the real purpose of unemployment insurance might be accomplished, while the drones, wanderers, those who have a lack of moral fiber, inadequate or mental physical equipment, lack of judgment, adverse fortunes, etc., would be left to their own resources.

It is true that under such a system all employees would not be immediately insured, but as the conceptions spread through the country and the initiative of different employers was aroused, more and more active employees would be covered. There would be no differentiation between organized and unorganized labor. The employee with an insured employer would realize that should industry slacken and he be thrown out of a job on this account, an unemployment benefit would be paid him, but that inefficiency or lack of interest incurred a loss which was his own.

The issuance of its various contracts have brought the company into close contact not only with the employee but with the employers, and experience has demonstrated quite clearly that the spirit of independence is more fully developed when an employee in connection with his employer can voluntarily make provision for these contingencies and contribute toward their cost. Also such procedure seems to be more popular than compulsory unemployment, insurance which has not apparently appealed to the press, employers, employees, or taxpayers.

As quoted in the pamphlet submitted herewith, Mr. Samuel Gompers stated: "I believe in the voluntary system of trying to provide something for the unemployed worker," while Capt. Leslie Bickers, representing the National Industrial Conference Board, concludes his remarks with: "As a matter of principle, it may be said that unemployment insurance as a remedy for unemployment should not be applied until a fair chance has been given management to reduce unemployment to a minimum through the stabilization of industry and efficiency distribution of the labor supply. To the extent that unemployment insurance is advocated and used as a remedy for conditions which need more far-reaching treatment, industry will only be confronted with a cumulative problem. More-

over, the result will be an increasing bill of costs upon producers and consumers as the price of inefficiency in the coordination of the industrial system," and the report of the Massachusetts commission concludes with, "Like other forms of so-called social insurance, compulsory indemnification during unemployment is not consistent with legislative principles."

The best thought seems to focus on the initiative being taken by the individual employers, and when the characteristics of the American people are borne in mind, their innate love of freedom, their initiative and resourcefulness and the success that they have made out of nearly any industry they have started, our company has felt that the best start and solution of this problem was through the employer and along industrial lines. Once the employer realizes clearly the problem and applies his energy to correcting it, much can be done to accomplish, as is evident by the plans put in by the Dennison Co., Rockland Finishing Co., and by the Cloth & Suit Manufacturers in Cleveland, etc.

True, many problems will present themselves, but the general problems incidental to insuring the employees of a given employer against unemployment do not seem to be insurmountable. They are discussed in the attached paper, A Practical Phase of Unemployment Insurance, by our Mr. Reinhard A. Hohaus, assistant actuary, a copy of which is presented herewith.

#### UNEMPLOYMENT INSURANCE PLANS OF PRIVATE COMPANIES

Columbia Conserve Co., Indianapolis, Ind.: Has no fund, plan started in April, 1917. Employees elected to salary group by fellow-workers are guaranteed full salary for 52 weeks a year.

Wage earners, usually those employed at peak of season and those who have not proved satisfactory regardless of length of service are guaranteed 50 hours' employment a week at a fixed hourly rate.

About 90 per cent of total employees belong to the salary group.

Crocker-McElivain Co., and Chemical Paper Manufacturing Co., Holyoke, Mass.: Plan started February, 1921, although company attempted to put it over in December, 1920, but the union objected.

No fund or amounts are charged to the worker's regular department.

Workers with 5 years' service are guaranteed 52 weeks' work and are given all kinds of odd jobs. When hours worked during any period at regular wage rate equal amount of salary, the employee is paid the regular wage rate. If hours worked are not sufficient, the employee receives salary at rate of one hundred ninety-two times hourly rate for 48 hour worker, two hundred times hourly rate for 50-hour worker for period of four weeks.

In May, 1927, companies had 608 employees of whom 272 were under the employment contract.

Dennison Manufacturing Co., Framingham, Mass.: Fund established March, 1920, set aside from profits of several years. If fund falls below \$50,000 or if total disbursements over 12 months exceed \$50,000, the rate of compensation is amended.

Rate of benefit for employees with dependents is 80 per cent of last six weeks' average, for those without dependents 60 per cent. An employee must be laid off for one-half day or more to be considered unemployed.

In May, 1927, there were 3,338 employees covered by the plan.

Dutchess Bleachery (Inc.), Wappinger Falls, N. Y.: Fund started December, 1919. The 6 per cent dividend on invested capital is paid and then 6 per cent is put in sinking fund to pay dividends after which a further fund, not to exceed the same amount, is provided for unemployment benefits. Originally the unemployment fund was set aside before the dividends were paid but this was changed in 1922.

Employees are eligible after one year's service and are unemployed when department or plant is closed on account of business depression or other cause not in control of the operatives. Benefits are half pay for unemployed time when the week is less than 48 hours; if fund falls below \$50,000, week is 35 hours instead of 48.

Rockland Finishing Co., Garnerville, N. Y.: Has same provisions but started with a larger fund which was exhausted in 1923.

S. C. Johnson & Son, Racine, Wis.: Mutual Benefit Association organized in 1922 which has three classes of members which pay dues and receive benefits according to salary class.

Unemployment benefits are the same as disability benefits payable for a maximum of 200 days in a calendar year, a half day is the smallest lost time computed.

	Salary	Dues	First 100 days	Next 100 days
Class A.....	\$75 a month or less.....	\$0.50	\$1 a day.....	\$0.50 a day.
Class B.....	\$75-\$200 a month.....	1.00	\$2 a day.....	\$1 a day.
Class C.....	\$200 a month or more.....	2.00	\$4 a day.....	\$2 a day.

The company reimburses the association for unemployment benefits paid. Leeds & Northrup Co., Philadelphia, Pa.: Fund started February 17, 1923, with \$5,000 to which was added 2 per cent of pay roll from January 1 to February 17 and thereafter 2 per cent of weekly pay roll until fund was twice maximum weekly pay roll of preceding 12 months. First benefits were paid October, 1924. Employees with dependents are paid 75 per cent of wages and those without dependents 50 per cent. Benefits are paid according to length of service:

- Three weeks' compensation for three months' service.
- Five weeks' compensation for one year's service.
- Ten weeks' compensation for two years' service.
- Fifteen weeks' compensation for three years' service.
- Twenty weeks' compensation for four years' service.
- Twenty-six weeks' compensation for five years' service and over.

If outside work is found, compensation stops unless pay is less than payment from the fund where the difference between the two amounts is paid.

When reduced in hours per week or transferred to another department where work is at a lower rate, employee receives benefits at same rate as for a complete lay off.

John A. Manning Paper Co. and Manning Abrasive Co., Troy, N. Y.; unemployment agreement with union May 1, 1919, discontinued May 1, 1921.

Manning Welfare Association organized in 1922. Company pays entire cost of unemployment benefits. A sum not exceeding \$72 in any one year is paid in such amounts as to insure a minimum income of \$9 a week. There is no waiting period and overtime is not offset against lost time.

Proctor & Gamble Co., Ivorydale, Ohio: Profit-sharing plan which includes an employment guaranty was started August 1, 1923. No fund. Payments to be charged against profits. Full pay for full-time work guaranteed for not less than 48 hours each calendar year.

Nonprofit shares (not covered by employment guaranty) are the first laid off, so no profit sharer has ever been laid off for lack of work.

United Diamond Works (Inc.) Newark, N. J.: No fund and no agreement. First benefits paid April, 1921. Men workers receive 25 per cent of average earnings. Those in supervisory ranks receive 50 per cent, 75 per cent, and 100 per cent. Women office workers receive 50 per cent and operatives 20 per cent. Acceptance of temporary work does not disqualify the worker for benefits. Only nonunion shop in American branch of the industry and after each shut down, all employees with one or two exceptions explainable either by marriage or illness, have returned.

American Cast-Iron Pipe Co., Birmingham, Ala.: Plan started December, 1924, but was abandoned in 1926 because of technological change in the industry which in the next year reduced the force by about 300 men; \$15,000 fund was maximum liability of the company, one year's employment required, benefits paid quarterly. If four days a week were worked no benefit was paid until there was an accumulation of 50 unemployed days after which one-half pay was received until fund was exhausted. Benefits were paid when less than four days were worked for difference between time worked and the 4-day minimum.

Delaware and Hudson Co.: Pays discharged person \$15 a week for 6 weeks provided he has subscribed for and contributed toward the cost of at least two of the three forms of insurance, life, accident and health, death and dismemberment.

## UNEMPLOYMENT INSURANCE SCHEMES OF TRADE UNIONS

The leading unemployment insurance plan is that of the Amalgamated Clothing Workers in their Chicago market. In 1928 this plan was extended to the Rochester market where employers contribute a year before the employees begin, and to the New York market where the employers contribute 1½ per cent beginning September 1, 1928, and the employees contribute nothing. The A. Nash & Co. in Cincinnati is about to add unemployment insurance to its agreement with the union.

The Chicago fund was started May 1, 1923, when a wage increase was granted by the board of arbitration handling the industry's labor disputes, which allowed for the amount of unemployment contributions and probably would not have been granted if the fund were not started.

The two firms of Hart, Schaffner & Marx and the House of Kuppenheimer, each had a separate fund and a separate board of trustees. Then there is a board and fund for the rest of the large firms and one for the contractors. The funds are administered in a central office and the trustees representing the union are the same for all four boards.

Employer and employee both contributed 1½ per cent of wages beginning May 1, 1923, but the last wage agreement May 1, 1928, increased the employer's contribution to 3 per cent.

Benefit payments were not begun until May 1, 1924. Present benefits are 30 per cent (originally 40 per cent) of full-time wages with \$15 (originally \$20) a week as a maximum payable for 1 week unemployment for every 10 weeks' work. This is divided into 2½ weeks for each of the two seasons. There is a 44-hour waiting time after registration at the unemployment exchange and every hour of overtime offsets an hour of unemployment.

The original plan included temporary cutters but a technological change in the industry did away with the need for them. Hart, Schaffner & Marx offered a dismissal sum of \$500 for about 250 cutters to leave the industry. The firm paid half the sum and the rest of the cutters paid the other half by foregoing their unemployment benefits until the amount had been contributed.

The number of workers in the industry has decreased from about 26,000 to less than 20,000 since the plan was started, and the number of firms from over 400 to about 200.

Cleveland garment manufacturers: In May, 1921, the International Ladies' Garment Workers established the first unemployment insurance scheme by joint agreement. This guaranteed employment instead of earnings and pays one-half minimum wage rate for period short of 41 weeks' work a year. Originally this was two-thirds for 20 weeks in each six months. The employer's liability is not more than 10 per cent of his pay roll and he can put up a surety bond instead of making the deposit. The first liability was 7½ per cent and in 1922 the employer could pay a 10 per cent lower wage rate and deposit 25 per cent of his pay roll if he preferred. In 1923 the 10 per cent wage reduction was eliminated and the employer's liability increased to 10 per cent.

The same union put a plan, based on the Chicago plan, into effect in the New York market in 1924. Contributions were begun in August, 1924, and benefits were paid June 1, 1925. Strife in the union caused a suspension of the plan March 24, 1926, so the plan was not permitted a fair trial.

The cloth hat and cap industry: The Cloth Hat, Cap, and Millinery Workers' International Union established its first unemployment insurance plan in St. Paul in 1923, and in New York, Philadelphia, and Chicago in 1924, and in Boston, Baltimore, Scranton, and Milwaukee in 1925. The millinery workers are not covered by any of these agreements.

All but one shop in St. Paul operates on a sliding scale in which they deposit 5 per cent of their pay roll, getting back all of it if they keep their workers steadily employed 48 weeks for 46 weeks' work, they are refunded 4 per cent; 45 weeks 2 per cent; 44 weeks 1 per cent; 43 weeks or less, nothing is refunded.

The one St. Paul shop and the rest of the markets pay 3 per cent of total pay roll.

A flat rate of \$13 a week for men and \$9 a week for women is paid. This was increased in 1926 from \$10 and \$7 against the advice of the impartial chairman. Benefits are not paid for more than 7 weeks a year. For every

44 hours lost time, a week's benefit is paid but less than 22 hours unemployment a week is not counted. In 1926-27 the fund showed a deficit and the increasing of the rate was probably unwise.

Lace industry: The Amalgamated Lace Operatives of America have joint agreements with several firms in which the workers are organized, but the plan is not working on a national scale and only about 300 workers are covered.

A fund is established to which workers earning over \$15 a week contribute 50 cents a week and the employer contributes a like amount. When the worker's wages fall below \$15 a week, he receives the difference from the fund. If temporary outside work can be obtained, he is not eligible for benefits.

#### MEMORANDUM ON "A PRACTICAL PHASE OF UNEMPLOYMENT INSURANCE" SUBMITTED BY THE METROPOLITAN LIFE INSURANCE CO.

The history and experience of the British unemployment insurance is probably familiar to all students of this type of insurance. It is natural that in the consideration of the advisability of offering coverage of a similar nature the British experience will be carefully studied from an insurance viewpoint. Such a study will not by any means prove the impracticability of this type of insurance. There have been abuses, but the underlying insurance basis has not proven unsound. The so-called bankruptcy of the fund in 1921 can not be regarded as a proof of the impracticability of such insurance, for it was caused by the temporary abandonment of the actuarial basis of the fund. While abandonment of the actuarial basis is always bad insurance administration, there may be economic, social, or other considerations which will justify such action.

In an interview published in the New York Evening World on December 7, 1925, Haley Fiske, president of the Metropolitan Life Insurance Co., stated that that company "is willing to experiment with unemployment insurance \* \* \* and it already has formulated rough plans on which to work, once the legislature has given us the requisite laws."

It may be of interest to outline these rough plans, particularly in reference to the practical phase of this type of insurance. It will be assumed that the question of the advisability of this type of insurance has been settled and that insurance companies are permitted to offer protection against unemployment. It will be further assumed that the coverage will be offered on a basis similar to that of group life insurance; that is, a contract made with an employer covering all of his employees, or a class thereof determined by conditions pertaining to employment.

When an insurance company is considering the advisability of offering certain coverage, the actuary must study in particular the problems of:

(a) The benefits and the contract providing the benefits which will be in accord with sound underwriting.

(b) The basis for the premiums required for the benefits.

Naturally it is not possible to make an absolute division between these two problems as there is a very definite relationship. However, there are certain essential features for each problem which must be studied and there are certain objections frequently raised which must be overcome.

In discussing health insurance Sir Alfred W. Watson, the British Government actuary, stated that health insurance was more of a managerial proposition than an actuarial one; that supervision and proper adjustment of benefits had more effect upon rates of sickness and the payment of benefits than increase in premiums. In other words, the first problem of benefits is more important than the basis of rates. Apparently the same thought applies to unemployment insurance and, therefore, this problem should be discussed first.

One of the first objections always raised against unemployment insurance is that there would be a great amount of malingering because it is "a voluntary act." If this be true, it is a very powerful objection. However, the claim that "malingering will occur as it is a voluntary act" can be raised against almost every kind of insurance. A voluntary act on the part of the insured can cause the occurrence of the contingency insured against in life, health, fire, surety, property, and other kinds of insurance. Rain insurance is a rare exception where the insured is powerless to do so. To prevent the occurrence of such voluntary acts is the function of underwriting and a purpose of the contract.

Some of the underwriting rules and contract provisions contemplated by the Metropolitan Life Insurance Co. are summarized below, and illustrate one method which is believed to offer a satisfactory basis of operation.

It is an axiom in health insurance that the benefit payable should be less than the income received by the insured while actively at work. Obviously the reason is to reduce malingering so that the insured will not be able to remain disabled without suffering financial loss. Likewise any unemployment-insurance benefit should be less than the wages received while actively at work, and the maximum benefit would be limited to a percentage of salary—say 66% per cent—with a further maximum as to the amount in dollars and cents. Both the percentage and the maximum amount might vary according to the type of industry and employment involved. A weakness of the present British plan is that the weekly benefit is a flat amount for everybody, so that for some the benefit may be larger than the wages received at active work.

As a matter of expediency and savings of expense in administration, a waiting period would be included for which no benefit would be payable. Probably a waiting period of six days would be satisfactory as that would eliminate a great amount of the short duration unemployment for which the expense and trouble of paying claims would be very great. It might be suggested that the benefit be made retroactive after six days of unemployment. However, until sufficient experience is obtained, it would be wise to disregard the retroactive feature. An insured who has been unemployed for four or five days might be tempted to remain unemployed for another day or two in order to be entitled to benefit. It is probable that practical experience will furnish a satisfactory method of protection against abuse of this nature and allow the benefits to be retroactive.

If desired by the employer, proportional benefits would be payable for part time employment, and the waiting period would be an amount of partial unemployment equivalent to six days of complete unemployment. A standard working day—for example, 8 hours—would be agreed upon, and that standard would determine the amount of unemployment.

The amount of benefit would be a function of all or some of the following: Salary, years of service, incidence and duration of unemployment, and would be determined by a formula which would preclude individual selection. Any scheme of benefit which varies according to the marital status, the number of children, or other such provisions would probably be avoided.

No employee would become eligible for coverage until he had completed a certain period of service—one year, for example. Obviously, the purpose is to eliminate "drifters, floaters, casuals, etc." from the benefits and, therefore, from the cost. Moreover, the average employee who remains in service generally proves more satisfactory to the employer not only mechanically but probably morally, so that a probationary period may be expected to have some effect as an automatic selection of risks.

The objection raised almost as frequently as the probability of malingering is that an employer can contract for the insurance just before a period of depression. Because of the cyclic increase in the rate of unemployment in a depression this would result in excessively large benefit payments to the employees with a consequent financial loss to the insurer.

This objection is a serious one but the insurer can protect itself quite readily. When life insurance was first offered to substandard lives, one of the methods of writing it was by liens. If the insured died in the first policy year, he did not receive the full face amount of the policy but a reduced amount. The percentage of reduction was decreased in successive years and eventually after a certain number of years, the full face amount of the policy was payable. In a similar manner, if the maximum number of weeks of unemployment for which benefit will ultimately be paid be 13 weeks, this maximum might be only 4 weeks during first policy year and would be increased to 6 weeks in the second year with a similar increase in subsequent years until the maximum of 13 weeks was attained. Consequently even though an employer contracted for this coverage just before a period of depression, he would in effect be paying for the coverage during the first year a premium considerably more than the normal premium.

It should be understood that the example of 4 weeks compared with 13 weeks is purely arbitrary and that the exact reduction would be determined as far as possible by the annual rates of unemployment during a cyclic period.

Probably the most important factor in the underwriting of this type of insurance is the cooperation of the employer. If he gives the insurance company active and sincere cooperation, the insurance should be a success. If his cooperation is only passive and half-hearted, the insurance may quite easily prove a failure. In order to encourage full cooperation, the insurer would require that the employer pay all or a substantial share of the cost of the insurance,

so that he will have a considerable financial "stake" in the success of the plan. This "stake" is especially emphasized as part of the cost may be returned to him through dividends, if his claim experience be satisfactory.

The cooperation of the employer is very essential in devising a procedure for paying claims. The British requirement is that claimant for benefits must be capable of, and available for, work, but unable to obtain suitable employment. As this requirement puts the burden of proof on the individual, an elaborate organization with employment exchanges, various judicial bodies, etc., has been developed in England, and it is quite likely that if the insurance company had the same requirement, a similar organization would have to be developed. It is always advisable to have a claim dependent as much as possible upon fact, and as little as possible on opinion. "Suitable" is, of course, a matter of opinion and hence causes much disagreement.

The primary requirement of the insurance company would be that the benefit be based upon unemployment caused by the inability of the employer to provide employment. This is a matter of fact—either the employer can provide work or he can not—and so there is not the field for disagreement as in the English requirement. Of course, this inability will be limited to trade depression and will specifically exclude unemployment caused by trade disputes, misconduct, voluntary separation, disability, etc. The claimant will also be excluded from benefit while he is an inmate of any institution because of ill health or action of law, or is a resident, whether temporarily or permanently, outside the United States.

The underlying thought of such a requirement is that if the previous employer can not give the employee work, it is not likely that any other employer can give him suitable employment and he should not be discouraged in taking temporary work at something else—such as snow shoveling. There would be a provision that those drawing benefit would be required at stated intervals to show that they were not satisfactorily employed. However, this would be a secondary requirement and not the primary one. In the final analysis, the aim of unemployment insurance, as any other insurance, should be to pay legitimate claims as promptly and with as little "red tape" as possible. It is probable that the procedure and requirements for benefits adopted at the beginning will not be perfect, but that they will have to be modified in accordance with experience. However, any such modification would not change the intentions of the contracting parties, but rather would improve the procedure by which they are striving to attain in practice their conception of the purpose of unemployment insurance.

It should be understood that the above rules are not in final form. They may be changed or modified, especially in accordance with experience made available under the various insurance plans now in effect. The aim will always be to liberalize the requirements and to remove restrictions.

After a satisfactory plan of benefits has been devised, a basis for the calculations of premiums must be found. The three elements which determine the scale of premiums are:

1. The rate of unemployment for which benefits are payable.
2. The rate of interest.
3. Expense of administration.

The rate of unemployment is affected by three separate influences—cyclic, seasonal, and age. The cyclic influence is due to variations occurring at the different stages of business cycle. In times of prosperity the rate of unemployment is low, and in time of depression the rate is high. The seasonal influence is just what the term indicates—the variations occurring at the different seasons of the year. Some industries, such as building and clothing, are affected very much by this influence while other industries are affected very little by it. What data are available indicate that the rate of unemployment increases with age, although there is a strong possibility that the increase stops temporarily about age 30 or 35 and that the rate decreases for about 10 years, at which time it increases again.

Theoretically, all these influences should be carefully measured and used in the premium calculations, but the data by which they can be accurately measured do not exist at present, so any such discussion would be academic. Practically the problem resolves itself into a search for available data.

It is granted that data available do not furnish statistics as complete as may be desired. However, it is necessary to have insurance operating in order to collect the statistics. In the beginning, just as was done in life, health, and other branches of insurance, whatever data are available must be used. There

are available to-day for the United States about as satisfactory data as were available in Great Britain in 1911, when its unemployment insurance scheme was established.

As the rates of unemployment vary widely by industry, the premiums charged should reflect this variation and each industry should pay a premium commensurate with the risk in that industry. In the British scheme there is no such variation by industry and this has proven to be a weakness in that scheme. The Metropolitan believes that it is highly advisable to have the scale of premiums vary by industry and it will adopt such a scale in actual practice.

While unemployment insurance is in one sense comparable to term life insurance, there will be very substantial reserves accumulated during a period of low employment, on which interest will be earned. Consequently it would be advantageous if the interest yield could be considered in the premium calculations. However, as the other basic rates must be considered more as an indication of the unemployment rather than a strict measure of it, it is not advisable to make too minute refinements at first when the basic data are crude. The interest yield would be ignored in the original premium calculations and would be considered as a contingency reserve available to pay either excess claims or be returned in the form of dividends.

The expense of administration would depend in great part upon the exact mechanism set up to administer the insurance. In the Report on National Unemployment Insurance to July, 1923, published by the Ministry of Labor of Great Britain, it is stated that "the ratio of administration expenses to revenue under the unemployment insurance scheme at the present time compares not unfavorably with those of other insurance systems" and gives a figure for "all costs borne on the votes for the Ministry of Labor or other departments, including the expenses of paying unemployment benefit and the costs incurred in placing insured workpeople in work, amount to 8.3 per cent of the revenue." This figure includes 95 per cent of the whole cost of the employment exchanges and is an estimate for the year 1923-24.

Paragraph 42 of the prefatory note in this report reads as follows:

"Prior to April, 1922, the highest ratio of administrative expenses was about 23 per cent in 1912-13 and 1920-21, the years of inauguration of the original and extended schemes, and the lowest 12.4 per cent in 1919-20. In 1922-23 the ratio was 10.3 per cent, and for 1923-24, as already stated, it is estimated as 8.3 per cent, the reduction in these two years being partly due to the increase in rates of contribution."

The first 18 months' experience of the Chicago fund showed the expenses to be less than 10 per cent of the claims paid. This does not include the cost of the labor exchange, which is borne by the union. In view of the comparatively large premiums which would have to be charged, it seems reasonable to assume that the business can be administered, after the pioneer work has been completed, by an insurance company for a cost of not more than 10 per cent or 15 per cent of the income. It should be the aim of any company underwriting this business to make this cost as low as possible.

It is very likely that any unemployment insurance contract, made by an insurance company, would contain a provision reserving the right to the insurance company to change its premiums on any anniversary of the contract. However, if such change were an increase, it would not be made retroactive to the past. Consequently the employer would know that each year his cost was a maximum cost and the only change as to that cost would be a reduction in the form of dividends or other credits.

The purpose of the insurance should be more than the payment of an indemnity when a contingency occurs; it should also try to prevent the occurrence of the contingency. Therefore the insurance plan should be one that will induce the employer to reduce unemployment—especially seasonal. Probably the best inducement is to make it to the direct financial advantage of the employer to do so. Consequently the cost of the insurance will be subject to a reduction—either in the form of dividends or reduced premium—and the amount of reduction will be determined primarily by the employer's own experience. It is felt that this method, which in other branches of insurance is known as experience rating, should have the desired effect as it has had in other branches of insurance.

Apparently the insurance company is in somewhat better position as to underwriting requirements and rules for unemployment insurance than it is as to a basis for cost. However, for cost there is some material available and there is

reason to hope that any premiums based on this data will prove satisfactory. If they do not prove satisfactory or adequate at first, they can be quickly revised.

Any insurance company offering unemployment insurance would probably go slowly at first, in order to develop a satisfactory method of procedure and an adequate basis for premiums. It would be careful as to the locality in which it did this experimental work. The first experiments should be made in localities which are primarily industrial and which have varied industries. If it experiments in a city where there is only one industry it would be subject to the individual hazards of that one industry, while if it experiments in a city where there are many industries, a depression in one industry would not be as serious as if there were only that one industry in that city. This is simply another adaptation of a fundamental rule of insurance—diversification of risks.

There are at the present time a few unemployment insurance schemes in operation in this country and no doubt their experience has produced some very valuable information regarding problems of administration, claim payments, and underwriting. The insurance company would be very anxious to study such experience so that it might have the benefit of it in its own operations. At least one insurance company feels that the problems of writing unemployment insurance are not insurmountable and it is optimistic about the practicability of this type of insurance. As soon as the insurance laws are amended so that it may offer this type of coverage, it will do so.

#### MEMORANDUM SUBMITTED BY MISS MARY B. GILSON, INDUSTRIAL RELATIONS COUNSELLORS (INC.), NEW YORK CITY, ON UNEMPLOYMENT INSURANCE IN GREAT BRITAIN

##### I. INTRODUCTION

There has been some form of national unemployment insurance operative in Great Britain ever since 1912. While the general outlines have remained the same, there has been expansion in the groups covered, increase in contributions and benefits, and various changes in procedure during the intervening years. These alternations have come in response to new conditions arising from war and post-war problems.

The original act of 1911, narrow in scope and modest in benefits, was initiated in the old Britain. Soon after the war broke out it was apparent that more general provision for unemployment must be made; the act of 1916 was the response. Not until 1920, with returning troops flooding the labor market, was the next major step taken. Since that time Great Britain has never reached her pre-war level of industrial activity, and postwar unemployment has consequently remained far higher than during any former period of similar length.

The population of Great Britain is now over 40,000,000 and Sir William Beveridge estimates that in a country of that size one may always expect to have from 250,000 to 1,000,000 unemployed. The term unemployed includes not only persons definitely without a job, but also persons suspended, stood off, or on short time and not at work on the day of the count.

The general average of unemployment in Great Britain since the war has been 11 per cent. Of course, there are wide geographical variations.

During the latter part of 1914 unemployment began to decline and, until the end of 1918 the stimulation afforded industry by war kept the number of unemployed very low. At the close of 1918 military and industrial demobilization brought an acute upward trend in unemployment until in February, 1919, it rose to nearly 11 per cent. During the middle of 1920 it fell to about 2 per cent due to the post-war revival, but at the end of that year figures began to mount precipitately because of the overwhelming trade depression and the coal dispute, until they reached over 23 per cent in June of 1921. On the third of this month the number of unemployed registered at the employment exchanges, was 2,580,429, the highest number ever registered. Even after the coal strike was settled the average was around 16 per cent for the following 12 months. From the middle of 1924 to the middle of 1925 because of a general recession in international trade, the effect of the cessation of the Ruhr occupation on the British coal industry, and the British return to the gold standard, unemployment increased. In 1926 renewed difficulties in the coal industry arose, causing unemployment to rise to almost 15 per cent in the summer of that year. The downward trend after that was affected in 1927 by the permanent closing down of many mines, thus throwing out of work approximately 200,000

miners. The figures for May, 1927, show the least unemployment since 1921 but by the end of the year the percentage was almost 11 per cent.

An examination of the British unemployment insurance act, its administration and the reactions to it, is complicated by a set of surrounding conditions which were quite without precedent and unprovided for in the actuarial studies on which the measure was based. So exceptional have these circumstances been that, although there is much significant interest to all countries in the operation of the law during the past 16 years, it must be viewed as courageous pioneering in the face of baffling and abnormal difficulties.

##### II. UNEMPLOYMENT INSURANCE ACTS

The report of the poor law commission, in 1909, stated the problem of unemployment and its attendant evils clearly and recommended the establishment of a national system of labor exchanges for the purpose of assisting the mobility of labor and of collecting unemployment data. It also advocated the assistance of trade unions in the payment of unemployment benefits. There is no doubt that Sir William Beveridge's well-known book on unemployment published in 1909 focussed much attention on the seriousness of the unemployment problem. Experience and continued discussion finally aroused the public conscience to demand action and a national system of labor exchanges was inaugurated in 1910.

From the passage of the first unemployment insurance act in 1911 until the passage of the most recent one in 1927, there have been constant modifications and a never-failing attempt to make the instrument fit the need. The result is a ponderous amount of legislation, making it necessary because of limitations imposed upon us by space, to touch upon only the most salient features. Messrs. Emmerson and Lasceles, authorities on British unemployment insurance acts, have said:

"Since 1920, when the principal act was passed, every year has seen at least one amending act, bringing with it a new series of regulations and orders."

1. Act of 1911: When the labor exchanges bill was introduced in the House of Commons in 1909, Winston Churchill outlined a scheme of compulsory insurance for unemployment which was the precursor of Part II of the national insurance act of 1911, introduced among other progressive social measures by Lloyd George. The act became effective in July, 1912, but benefits were not paid until January, 1913. The national system of unemployment insurance thus launched was the greatest measure adopted by any government for compensating unemployment. Because it was deemed wise to have labor exchanges well established before the state undertook to install unemployment insurance, there was no attempt to put through Mr. Churchill's proposal concerning the latter when the labor exchanges bill was passed.

The unemployment-insurance plan sponsored by this act of 1911 was of two kinds: Compulsory state insurance and voluntary insurance in the form of assistance to trades unions and other associations of workers which disbursed benefits to their members. It was compulsory for all workers over 16 in a few specified trades which had a heavy unemployment risk, the chief of which were engineering, shipbuilding, and building, and it covered about 2,500,000 workers. Many trades unions and friendly societies having for some time paid benefits, it was deemed advisable to encourage the continuance of this voluntary handling of unemployment insurance by providing that the state would reimburse any association paying state unemployment benefits if it conformed to certain requirements. In many instances also union workers not covered by the state plan were paid benefits through state subsidization, known as the Ghent plan.

Contributions to the general unemployment-insurance fund consisted of a joint weekly contribution from employers and employed of 5d.—half from each—to which the state added one third of that sum, or 1½ d. Benefits of 7s. a week were paid to adults for a maximum of 15 weeks a year and five contributions were necessary for one week's benefits.

2. Act of 1916: Great pressure was brought to bear on the Government to extend the act, but in view of the experimental nature of the plan it was felt "it would be foolhardy to launch out with a universal scheme of compulsory insurance." It was not until the war had been in progress for two years that it became apparent that provision must be made for the large number of workers who would no longer be required in the munitions trades when the war was over. In 1916, therefore, the scheme was extended to cover all munition worker in trades not already insured and also the whole of certain

industries, mainly the metal, chemical, leather, rubber, and ammunition trades. This insured 1,250,000 more people.

It is unfortunate that many have confused with unemployment insurance the out-of-work donation from the Government Exchequer which was paid to discharged soldiers and to large numbers of displaced munitions workers, and also people in other trades whose work was dependent upon war. This emergency could not be met by the unemployment-insurance plan and the money, therefore, had to be taken from the Exchequer. Naturally, inasmuch as the out-of-work donation was more generous than the unemployment insurance benefits, the latter was largely in abeyance for a time. Such out-of-work payments, which were in no sense insurance benefits, were dubbed "doles," this term often being incorrectly and indiscriminately applied to unemployment benefits both then and now.

3. Act of 1920: By 1919 public opinion was more favorable toward a wide extension of unemployment insurance and the National Industrial Conference held at that time recommended a universal compulsory insurance scheme for workers 16 years of age and over. As a result, the unemployment insurance act of 1920 was passed, which retained the compulsory and contributory basis and brought in industries with small as well as great fluctuations, excluding only agriculture, private domestic service, and some minor occupations. About 11,750,000 workers were covered by the extended scheme, practically the entire working population. By this time all nonmanual workers getting less than \$250 a year were covered.

Benefits were increased as time passed and other provisions were made more generous such as the decrease of waiting time before benefits were paid. Contributions were decreased by the act of 1920, men workers contributing 8d. a week and women 6½d., employers an equal sum, and the state a fourth of the joint employer and employee contribution.

The act of 1920 included a provision allowing an industry to "contract out," using its own contributions to pay any sum in benefits it desired, with the stipulation that benefits so provided would not be less than state benefits. The privilege to contract out was suspended in 1921 when the unemployment fund became deficient, and it was abolished altogether by the act of 1927. Only two industries (insurance and banking) had managed to make arrangements for contracting out before the privilege was suspended. The act of 1920 also permitted an industry to adopt a supplementary scheme under which additional contributions might be levied on employers and employees in any industry as a means of paying supplementary benefits. No such scheme has even been put into effect.

Because of widespread and long-continued unemployment during the post-war trade depression, it was impossible to adhere to the regulations concerning prerequisite contributions as a basis for paying benefits (five contributions for one week's benefit). Hence, conditions governing what was known as "uncovenanted benefit," later known as "extended benefit," were increasingly relaxed. From 1921 to the present time the history of the unemployment insurance scheme has consisted largely of the passing of one act after another granting further extensions of benefit in advance of contributions or otherwise liberalizing eligibility for benefits on account of the very large numbers who remained unemployed for prolonged periods.

Other minor changes have been effected by acts subsequent to the act of 1920. In 1921 additional allowances for dependents were instituted. Modifications in the amounts of contributions and benefits, changes affecting the eligibility of single men and women living with their parents, and various other minor changes were made from time to time, but the plan was not thoroughly revised until the act of 1927 which was passed following the report of the Blanesburgh committee on unemployment insurance, which was appointed by the government in November, 1925.

This commission, with Lord Blanesburgh as its chairman, was appointed "to consider, in the light of experience gained in the working of the unemployment insurance scheme, what changes in the scheme, if any, ought to be made."

The commission included representatives of employers and trade-unions and, during hearings extending over almost a year (from December 14, 1925, to October 4, 1926), considered suggestions, viewpoints, and recommendations representing every shade of opinion throughout the country.

Employers' organizations, trade-unions, associations of poor-law authorities, boards of guardians, charity organizations, parish councils, employment exchanges, courts of referees, local employment committees, and many other

organizations testified before the committee. Its recommendation had great weight with the Government.

4. Act of 1927: The unemployment insurance act of 1927, based largely on the Blanesburgh report, received the royal assent on December 22, 1927, and came into force, with certain exceptions, on April 19, 1928.

All workers between 16 and 64 covered by preceding acts are now included, old-age pensions removing the group 65 and over from unemployment insurance. The chief provision of this act was the abolishing of extended benefit, making all benefits standard or payable as of right where requisite conditions are satisfied.

The act provided that after a transitional period eligibility for benefit must include the condition of 30 contributions paid in during the two years prior to claim, fulfillment of this condition being verified quarterly. Exceptions were made in cases of sickness and certain ex-service men.

The former rules limiting the payment of standard benefit to one week of benefit for every six contributions, with a maximum of 26 weeks of benefit in a benefit year, were nullified by this act.

Another important provision introduced modifications in the trade dispute disqualification, persons not themselves participating in or financing or directly interested in a trade dispute being no longer disqualified unless there are other members of their grade or class at the same premises as themselves who are so participating or financing or directly interested. The former relief from disqualification in certain cases where an employer had violated an agreement is withdrawn.

The former maximum period of six weeks of employment after which a person could resume benefit, without the requirement of another waiting period covering 6 days without benefit, was changed to 10 weeks.

Among the conditions for the receipt of benefit are those requiring that a man be "genuinely seeking work, but unable to find suitable employment." In general work is not "suitable" if it is (1) an offer of employment in a situation vacant in consequence of a stoppage of work due to a trade dispute; or (2) an offer of employment in the district where he was last ordinarily employed at a rate of wage lower or on conditions less favorable than those which he might reasonably have expected to obtain, having regard to those which he habitually obtained in his usual employment in that district or would have obtained had he continued to be so employed; or (3) an offer of employment in any other district at a rate of wage lower or on conditions less favorable than those generally observed in that district by agreement between associations of employers and of employees or, failing any such agreement, than those generally recognized in that district by good employers.

At present benefits and contributions are as follows, in accordance with the act of 1927:

#### Benefits

##### Weekly rate:

Men, 18 to 65.....	17s. (\$4.25)
Women, 18 to 65.....	15s. ( 3.75)
Boys, 16 and 17.....	6s. ( 1.50)
Girls, 16 and 17.....	5s. ( 1.25)

##### In case beneficiary does not receive dependents' benefits:

Young men, aged 20.....	14s. ( 3.50)
Young men, aged 19.....	12s. ( 3.00)
Young men, aged 18.....	10s. ( 2.50)
Young women, aged 20.....	12s. ( 3.00)
Young women, aged 19.....	10s. ( 2.50)
Young women, aged 18.....	8s. ( 2.50)

Benefit is not paid to persons 65 and over; and benefit is not paid for part days, but only for whole days.

#### Contributions

Employed persons	Employer's contribution	Employed person's contribution	Government contribution	Total contribution
Men, aged 21 to 65.....	8d. (16 cents).....	7d. (14 cents).....	6d. (12 cents).....	\$0.42
Women, aged 21 to 65.....	7d. (14 cents).....	6d. (12 cents).....	4½d. (9 cents).....	.35
Young men, aged 18, 19, and 20.....	do.....	do.....	3½d. (10½ cents).....	.36½
Young women, aged 18, 19, and 20.....	6d. (12 cents).....	5d. (10 cents).....	3½d. (10½ cents).....	.29½
Boys, aged 16 and 17.....	4d. (8 cents).....	3½d. (7 cents).....	3d. (6 cents).....	.21
Girls, aged 16 and 17.....	3½d. (7 cents).....	3d. (6 cents).....	2½d. (4½ cents).....	.17½

## III. ADMINISTRATIVE ORGANIZATION

1. *Employment exchanges.*—The employment and insurance department of the Ministry of Labor administers unemployment insurance through employment exchanges and workers' associations. There are nearly 1,200 exchanges, including branch employment offices chiefly located in industrial or semindustrial areas. In charge of each employment exchange is an insurance officer.

As has been stated, a national system of employment exchanges was established in England in 1910, a year before the first unemployment insurance act was passed. Free public employment exchanges had existed since the unemployed workmen act of 1905, although not on a national scale.

The function of employment exchanges is twofold; that of placing workers and that of paying unemployment insurance benefits to the unemployed. Together with statistical duties, their work in connection with the first of these activities consists of registering applicants for unemployment benefits, of recording vacancies notified by employers, of examining the fitness of applicants for available openings, and of sending to an employer with an introductory card franked for mailing back to the exchanges each worker selected for a job. The second function of the exchanges involves approving applications for benefits. A worker is regarded as unemployed for purposes of claiming benefit when he is able-bodied, capable of work, and though willing to work is unable to find work in his own trade, or after a reasonable period of time in another trade at current rates of pay.

Whatever opinion individuals may now hold as to what should be the primary function of employment exchanges, there is no doubt that the committee of inquiry, which reported to Parliament on the subject in 1920, stated that "a special feature of the British system of exchanges" was that "they were founded, not solely or even mainly as placing agencies, but in order to prepare a machinery for the administration of unemployment insurance," and in actual functioning much time and energy are expended in testing bona fide unemployed at the expense of placement work.<sup>1</sup>

The exchanges promote the mobility of labor by serving as clearing places for other than local jobs. For facilitating the transferring of workers, Great Britain is divided into seven areas termed "divisions" with a divisional controller in charge of each, who is under the general manager of the employment exchanges in the Ministry of Labor. Openings both abroad and in Great Britain are filled by well-worked-out methods of advertising and placement. Employers often advance money for transportation where journeys of any length are involved, and in certain instances part of the fare is paid from the unemployment fund.

Contributions from employers and employed are paid through the use of unemployment insurance stamps which the employer purchases from the post office and attaches weekly to the unemployment books which are issued to workers.

The routine procedure in connection with entering claims for benefits is for an unemployed man to call at the exchange and lodge his claim. If he is in the insured classes he leaves his employment-record book and gets a receipt for it, registering for other work according to an occupational classification and giving a record of his industrial experience. When employment in an insured trade is resumed the book is removed from the exchange and deposited with the employer for stamping. One safeguard against pretense is to require an unemployed person to register daily at the exchange during the usual working hours.

An employment-exchange officer checks with the worker's previous employer as to his reason for quitting his job. When there is no question, payment is authorized after checking with the claims and records office at Kew concerning paid-up contributions, etc.

2. *Appeal.*—If the reason does not seem valid the case is referred to the insurance officer in charge. Further appeal, in case the claimant is dissatisfied with the decision, is reviewed by a court of referees, composed of one or more representatives of employers and an equal number representing insured workers, the chairman being appointed by the Minister of Labor. Still further appeal may be carried to the umpire, appointed by the Crown, whose decision is final.

Up to 1927, when the difference between standard and extended benefit was abolished, the above procedure was followed for standard benefit only. Extended-benefit cases, or those whose eligibility to benefit on the basis of

paid-up contributions had been exhausted, were referred to local employment committees and smaller subcommittees known as "Rotas" which were composed of equal numbers of representatives of employers and workers, the chairman being appointed by the Minister of Labor. In order to guard against overlapping in relief, these committees were urged to keep in close touch with local boards of guardians and private charitable organizations.

The act of 1927, in abolishing, after a transitional period, extended benefit, stipulated that there should be the same procedure for all claims and that this procedure should be what had been already established for reviewing claims for standard benefit. The decision to simplify matters by having one procedure for the examination of all claims resulted in the abolishing of Rota committees.

3. *Administration—*a.* Employment exchanges.*—There seems to be general agreement that there have been grave faults in the administration of unemployment insurance. Perhaps the most fundamental reason for this is that the employment exchanges which are the chief administrative medium are too heavily burdened to accomplish any of their duties efficiently. They have become so choked by the multifarious duties in connection with dispensing unemployment benefits that the staffs in charge of them have not sufficient time for intelligent placement work.<sup>2</sup>

It is also hard to conduct placement work properly because of the difficulty of manning the staffs of the exchanges with people who are equipped with industrial knowledge and experience. The idea of developing staffs with knowledge of special industries in order to place people more adequately is often pressed and the special building trade exchange in London is cited as an example of the potentiality of each development.<sup>3</sup>

A third important factor hindering employment exchanges from functioning adequately is the necessity for economy which has resulted in quartering the exchanges in unsuitable buildings, inconveniently located.

These and other handicaps have served to make many employers hesitant about reporting openings to the exchanges, preferring to get skilled workers through the unions or to hire at the gate. Thus a vicious circle is set up. It is obviously necessary in order to test "willingness to work," that vacancies as well as applications for work should be registered at the employment exchanges. Otherwise, it is quite impossible to verify the nonexistence of openings. Many employers who complain most loudly that the exchanges do not properly investigate a claimant's ability to find work are least cooperative in reporting vacancies.

At present there is no way of remedying this situation and it has been suggested by various groups, notably the Trades Union Congress,<sup>4</sup> that the reporting of vacancies by employers be made compulsory, but the Blanesburgh Commission doubts the practicability of this.<sup>5</sup> The National Confederation of Employers' Organizations deprecates the failure of many employers to use the exchanges and suggests that at any rate they notify exchanges "voluntarily" of their engagements of workers.

In spite of the frequently voiced criticism that the employment exchanges do not adequately perform their function of placement, the records of vacancies filled is commendable. It is noteworthy that the number of vacancies notified always exceeds the number of vacancies filled and the number of registrations is far in excess of the former number. The postwar depression is reflected plainly in the number of registrations following 1918. A large part of the work consists of replacements.

Although employment exchanges are in disrepute in some quarters, there is a surprising unanimity of appreciation of the conscientious endeavors of the staff members in the face of enormous difficulties.<sup>6</sup>

*b. Suitable employment.*—The interpretation of certain phrases in the acts, notably "suitable employment," has been another knotty problem. Both employers and employees usually accuse each other of throwing smoke screens over specific cases. The Blanesburgh Commission proposed in this connection a clearer definition of the condition "generally seeking work but unable to

<sup>1</sup> Blanesburgh Report, vol. 11, pp. 235 and 237. Also Henry Lesser, *Unemployment Insurance by Industries*, 1923. London Chamber of Commerce pamphlet, series No. 109.

<sup>2</sup> National Confederation of Employers' Organizations Report on Unemployment Insurance, 1924, p. 23.

<sup>3</sup> Blanesburgh Report, vol. 1, p. 71.

<sup>4</sup> Blanesburgh Report, vol. 1, p. 83.

<sup>5</sup> Blanesburgh Report, vol. 1, p. 46, sec. 89, and Felix Morley, *Unemployment Relief in Great Britain*, op. cit.

obtain suitable employment" and suggested a modification of the existing rather loose provisions relating to the suitability of employment.<sup>6</sup> The terms mentioned allow divers interpretations, but the Blanesburgh Commission cite the fact that because of the many decisions by the umpire concerning cases which reached him, the phrases have acquired a certain meaning. The Ministry of Labor report for 1927 reports that the chief insurance officer disallowed 39,204 claims out of 465,500 cases referred to him in 1927 for various reasons, on the ground of "refusing suitable employment." The courts of referees disallowed on the same ground 10,623 out of 110,714 cases referred to them and the umpire disallowed 570 people out of a total of 4,348 cases referred to him. The act of 1927 has not attempted a rigid definition of suitable work, on the basis of these decisions, but the requirement that a man can not indefinitely draw benefit because he does not find work in his own trade is a step in the direction of closer definition.

*c. Malingering.*—Realizing that unemployment insurance would be discredited entirely if benefits were not being paid deservedly, there have been nine investigations into the personal circumstances and industrial history of claimants since the passing of the 1920 act. The most recent example is the investigation of 9,748 claimants to unemployment benefit in April, 1927.<sup>7</sup> All studies have been made on a sample basis which has been checked and proven adequate, and they deal with careful analyses of the degrees of employability of claimants, together with their age, marital state, number of dependents, physique, health, physical defects, and other qualities.

Space forbids even a brief review of the results of these scrutinies, but, after a careful examination of them as well as of a wealth of "check-up" material relating to individual cases, one is forced to conclude that widespread rumors of malingering are as undependable as rumors unverified by facts usually are. It would be absurd, naturally, to state that there are no fraudulent claims when nearly 12,000,000 people are insured, but it is not absurd to state that there is sufficient evidence to prove that these cases are relatively few.<sup>8</sup>

An investigation made by the Charity Organization Society through 29 district committees operating in the county of London resulted in much the same findings, although the secretaries had expected to discover serious malingering because of the gangs of young men constantly to be seen loafing around public houses or bookies' headquarters. It seemed probable that this idleness was financed by poor relief rather than unemployment insurance.<sup>9</sup>

The industrial transference board, appointed by the Minister of Labor in January, 1928, to look into the problem of the unemployed who had no chance of finding work again at their old trade or in their old locality reported:

"At this stage we think it necessary to comment on a calumny which has gained some currency both here and overseas about the quality of the unemployed. A misunderstanding so obstinate in certain quarters as to appear deliberate, of our whole system of unemployment insurance, an attitude summed up in the word 'dole,' has created an impression that the unemployed are unemployed, that they could easily find work if they wished, but that they prefer to live in idleness on money derived from the State. The misconceptions in this attitude are so obviously absurd to anyone who studies, however, cursorily, the industrial history of the last few years that we should not have thought it necessary to refute them had we not been struck by their prevalence in some quarters in the Dominions and by the damage that they cause to our people. The unemployment insurance scheme is a contributory scheme to which the workmen of this country contribute, out of their wages, one-third of the total cost. No unemployed workman can draw benefits under the scheme unless he satisfies stringent conditions—among others, he must show that he is genuinely seeking work. Every impartial body that has examined this scheme, notably the committee under the chairmanship of Lord Blanesburgh which reported in 1927, has found that the allegations of general abuse are wholly without foundation. The body of unemployed is not a standing army of vagrants and loafers but a number of genuine industrial workers whose composition is constantly changing. There are, of course, 'work-shy' among them, as there are in every section of society, and in every country, but for the most part the

<sup>6</sup> Blanesburgh Report, vol. 1, p. 82.

<sup>7</sup> Great Britain—Labor Ministry. Report on an investigation into the personal circumstances and industrial history of 9,748 claimants to unemployment benefit, Apr. 4 to 9, 1927. London, H. M. Stationery Office, 1928 (pp. —).

<sup>8</sup> Blanesburgh Report, vol. 1, pp. 20-21.

<sup>9</sup> Letter from J. C. Pringle, Apr. 24, 1925. Blanesburgh Report, vol. 11, Appendix 11.

unemployed are, at any time, a fair sample of the whole body of the industrial workpeople of this country. There is no country which would not be fortunate, and should not be glad, to receive into its boundaries many of the men with whom our inquiries have brought us into contact."<sup>10</sup>

#### VI. CRITICISMS AND SUGGESTIONS

Criticism of British unemployment insurance is of two kinds. There is the emotional expression of opinion based on preconceived ideas, hearsay, or generalization from insufficient evidence, and there are thoughtful statements based on a review of the known facts. The first is usually destructive, the other suggestive. It might be assumed that the former is of such small moment that it need not be considered in a serious study of the acts. The wide dissemination given to these irresponsible statements does, however, lend them a certain importance, and this is particularly true for Americans, since it is this type of criticism which is most frequently heard and repeated by visitors from the United States. Certain stories have taken on the authenticity of the well-known bathtub-used-for-coal legend, notably those concerning the miner who bought two pianos on his "dole" and the workman who went to the Riviera with his insurance money. The insistence on the use of the word "dole" for every form of unemployment benefit is in many cases evidence of a desire to bring the whole plan into disrepute. This opprobrious epithet originated with the out-of-work donations granted from the national exchequer to discharged soldiers and to workers suddenly displaced at the end of the war. The donation scheme applied to the whole unemployed population from November, 1918, to November, 1919, and to the unemployed ex-service population to March, 1921, and the cost, amounting to £66,000,000, was borne entirely by the State.<sup>11</sup> Sir William Beveridge says on account of "the difficulties, complications, and changes of the unemployment insurance scheme, in the economic crisis following the war, must not be misread into a condemnation of the scheme itself. Those who criticize the 'dole' most freely are usually innocent of any precise knowledge of the subject. They do not recognize the fact that 'supporting 1,000,000 men and women in idleness,' while lamentable, at least has prevented destitution and disorder consequent upon unemployment in earlier days."<sup>12</sup>

The Blanesburgh committee reported that—

"Public opinion outside the insured classes had become and, we fear, still is predominantly unfavorable to unemployment insurance. In this we may, of course, be mistaken, but of one thing we are satisfied, namely, that any scheme of unemployment benefit in this country will be durable and secure of general acceptance only so far as it is believed to be immune from the social dangers which, in greater or less degree, may lurk in all such schemes."<sup>13</sup>

In spite of this general disapproval on the part of the uninsured the committee found that the responsible groups and individuals who were consulted during the investigation were agreed that the risk of unemployment should be insured. To quote the report further—

"Nobody has suggested to us that the principle of unemployment insurance should be abandoned. It has been recognized by all who have appeared before us, and we ourselves share the view that an unemployment-insurance scheme must now be regarded as a permanent feature of our code of social legislation."<sup>14</sup>

Other bodies have made similar statements. A report was submitted by the National Confederation of Employers' Organizations in January, 1924, to the Minister of Labor. It was prepared in consultation with all employers' organizations in the country and may be regarded as opinion subscribed to by employers in general. It contains the following comment:

"Whatever be the defects of the emergency measures, the experiment of compulsory unemployment insurance, as initiated in 1911, can not be adjudged a failure in itself. On the contrary, experience since 1911 has proved that it is practicable in normal times to make provision, by way of insurance, for assisting the bona fide workman over periods of temporary and unavoidable unemployment."<sup>15</sup>

<sup>10</sup> Report of Industrial Transference Board. H. M. Stationery Office, 1928, p. 36, sec. 88.

<sup>11</sup> Report of Unemployment Commission, vol. 2, p. 89.

<sup>12</sup> Beveridge, War and Insurance. Carnegie Publication, p. 247.

<sup>13</sup> Report of Unemployment Commission, vol. 2, p. 89.

<sup>14</sup> Blanesburgh Report, vol. 1, p. 28.

<sup>15</sup> Blanesburgh Report, Vol. 2, p. 86, sec. 5.

Again—

"The magnitude of the experiment undertaken under the 1920 act must not be overlooked. Great Britain is the only country in the world that has attempted legislation of this kind on a broad and comprehensive basis. It is only when the provisions of the 1920 act are at work again, free of emergency measures, that experience will be gained upon which full development can be determined in the light of permanent conditions. Hence the paramount importance of putting its provisions to the test on a sound basis at the earliest moment."<sup>16</sup>

One of the representatives of the above-mentioned confederation stated before the Blanesburgh Commission in March, 1926—

"Given time and proper administration, we are convinced that we can build up something which will be an example to the whole world, but it has never so far had a chance. \* \* \* and we are sitting here really without any actual experience of what a national scheme can do."<sup>17</sup>

**MEMORANDUM ON "GERMANY'S PRESENT UNEMPLOYMENT ACT," SUBMITTED BY DR. MOLLIE RAY CARROLL, PROFESSOR OF ECONOMICS, GOUCHER COLLEGE, BALTIMORE, MD.**

Germany's present unemployment insurance act, passed on July 16, 1927, and effective the 1st of October of that year, is the product of nine years of experiment in national attempt to meet the problems caused by unemployment. In the passage of this bill Germany has utilized also the experience of other countries, and especially of England. She has drawn upon the results of many years of pre-war effort of her cities and states and upon her long-continued and successful operation of other forms of social insurance. Her experience is, therefore, believed to offer valuable assistance to the United States in devising methods of control of the problem, particularly in relation to the following items of Senate Resolution 219: (a) Statistics; (b) the organization and extension of systems of public employment agencies, Federal and State; (c) the establishment of systems of unemployment insurance or other unemployment reserve funds; (d) public works; and (e) the feasibility of cooperation between Federal, State, and private agencies with reference to (a), (b), (c), and (e). The German system is not offered as a pattern for the United States to copy, for the very success of the German measure is attributable mainly to the adaptation of its experience and that of other countries to its own particular political organization, economic and social problems, and national temperament.

The German employment exchanges and unemployment insurance law of 1927, as the name indicates, bound together indissolubly the placement service with unemployment insurance. Germany had already in 1922 established by law a national-employment service. This had come only after a long period of development of local public and of private fee and nonfee exchanges. The private, nonfee agencies were then and are to-day conducted by employers, trade unions, religious organizations, public-welfare bodies, and professional organizations. Private-fee agencies had been carefully restricted as early as the 1860's and even more narrowly limited by law of 1910. The act of 1922 provided for their abolition on January 1, 1930, and this provision was reenacted into the law of 1927.

This act has followed, in the main, the provisions of that of 1922 with reference to the exchanges, but was worked out a single form of organization for both placement and insurance. It has established local and district offices and also a central one for both services. The plan of organization does not follow political boundaries, more than one locality often being comprised within the territory covered by an office. The district offices, too, follow the logic of economic needs rather than State lines. While placement for the most part is accomplished through the local office, district organization permits greater mobility of labor through provision for sending unemployed persons to available positions in other localities. The central office at Berlin serves as a clearing house for the entire Nation and assists in placement where the demand for work or for an employee of a certain type can not be filled through the district. It is also the information-collecting and standard-creating body for the entire service.

<sup>16</sup> Blanesburgh Report, vol. 2, p. 89, sec. 13.

<sup>17</sup> Blanesburgh Report, 1927, vol. 2, p. 79, sec. 777.

In addition to placement, the employment exchanges are charged with vocational guidance, the placement of apprentices, and advice and cooperation in continuation schooling and vocational reeducation. They work out innumerable details of fitting the person to the job. These include granting railway fare to a place of new employment, sending a leader with a group of persons who are offered work in another locality if that method promises to aid in their adjustment and providing for a person's family if he is given a job elsewhere which will support him but not his dependents, especially if it promises later to prove adequate to care for them all. The exchange may give him financial assistance during the period of accommodation to a new occupation which at first affords insufficient remuneration from an old one that is overcrowded. Even before the passage of the law of 1927 the exchanges assisted largely in decisions concerning eligibility to unemployment relief and the present integration of the two services greatly increases the possibility of utilization of knowledge of the placement officials for this purpose. Aside from these functions, the mere volume of placement alone shows the importance of the public exchanges, for in 1927 their placements numbered nearly 6,000,000, while those of private nonfee and fee agencies together totaled a little over 1,150,000.

The public exchanges are considered to play so constructive a part in diminishing unemployment that they are, by the law of 1927, supported from the unemployment-insurance funds. This financial as well as administrative integration has been accomplished in order to strengthen both services. It is expected to increase the number and improve the quality of workers applying to the public exchanges and thereby better to serve the employers who are looking for labor. The result should be an increase in registration of both jobs and workers. Furthermore, single administration should offer a better check on the bona fide character of the unemployment of a person requesting unemployment benefits.

In its unemployment-insurance features, the law of 1927 represents a more definite change from earlier legislation than in its provisions for the employment exchanges. After nearly two decades of prewar, local unemployment assistance the German Government in 1918 was faced with unemployment of gigantic proportions, chiefly among discharged soldiers and war workers. Political unrest forced constructive attention to their problems. The first result was a series of executive orders granting unemployment relief out of public funds. This policy continued until 1924, when the persistence of unemployment combined with the depletion of the public treasury through inflation and the ensuing stabilization of the currency forced a change from a more or less temporary policy of assistance to the enactment of legislation. The outcome was the unemployment-relief law of February, 1924. According to the terms of this law, contributions to the unemployment-insurance fund were compulsory for employers and workers, but eligibility to assistance arose not by virtue of payment to the fund, but only provided the individual was in necessitous condition because of unemployment resulting from the war. The unsatisfactory nature of this law was recognized on all sides. Those who had framed it had gone as far in the direction of unemployment insurance as public opinion and experience permitted; but they frankly considered it as a temporary measure.

Continuing unemployment aroused public attention to the necessity of a permanent plan for caring for those out of work and for doing so by other means than methods that savored of charity. The result was a request from the Government for a preliminary bill on the subject. The drafting was undertaken by the legal and economic experts in the ministry of labor, men of high standing in their professions, who, since 1918, had been charged with responsibility for aid to the unemployed. As part of their preparation for the task a group of them went to England and for six months studied the enforcement of the unemployment insurance law of that country. The bill which they drew up was submitted to the proper governmental authorities, was subjected to 6-months' debate in the Reichstag, and altered especially in its provisions concerning administration, and passed by an overwhelming majority.

The law of 1927 sharply divides assistance to the unemployed into two categories, unemployment insurance, supported by the equal contributions of employer and worker, and unemployment relief, maintained by public funds for those ineligible to insurance. For both systems the scope of occupations included is the same. Membership is compulsory for most persons in positions covered by the health and salaried employees' insurance schemes and includes a large proportion of those earning less than 6,000 marks annually. In addi-

tion to those usually thought of as comprised within such terms, it includes domestic servants, industrial-home workers, and many agricultural workers. It comprehends at present 17,250,000 out of about 21,000,000 employed or employable persons in Germany. It provides for voluntary, extended insurance for those who cease to be eligible only because their salaries, increased beyond the 6,000 mark limit, exclude them from the category of the compulsorily insured.

For the workers comprehended within the scope of the law title to unemployment insurance arises from three conditions. The person must be able and willing to work and involuntarily unemployed. The law has not only erected strict definitions of these terms but has provided for this interpretation by the local, district, and central offices. In construing this clause strictly and yet reasonably, assistance is rendered by the unification of placement and insurance. In the second place eligibility requires that the individual must have been employed for 26 weeks during the previous 12 months in an occupation which is compulsorily insured against unemployment. Payment into the fund does not create title. There must have been actual work performed. The 26 weeks need not be continuous, but they must comprise 182 days out of the year. Certain exceptions are made to prevent unreasonable hardship to the workers on the one hand or undue drain upon the unemployment funds on the other; but the standard provision is that of 26 weeks of work within the preceding year. The third proviso is that the person should not have exhausted his claim to benefit. Eligibility normally lasts for 26 weeks, provided placement is during the whole period impossible, and the person fulfills all conditions. The waiting period is usually set at six days.

The rates of benefit vary according to the worker's wage or salary classification, which is based upon the average he has received for the three months of employment previous to date of application for benefit. His average remuneration places him in one of 11 wage classes ranging from less than 10 to over 60 marks weekly. For each class a "representative wage" is set which is used, for convenience in calculation, in place of the person's average wage. The person in the lowest wage class receives in standard benefits 75 per cent of his representative wage, and the one in the highest 35 per cent. Additional supplementary allowances are granted to persons with family dependents. The unemployed person's membership in other forms of social insurance is maintained during his period of receipt of benefits. The partially employed person is granted insurance, graduated according to the degree of his unemployment.

For persons who qualify for unemployment benefits, with the exception of the fact that they have not worked 26 weeks within the preceding year but have been occupied as much as 13 weeks, or that they have exhausted their claim, having been granted insurance for 26 weeks, special emergency unemployment allowances are provided. To receive such assistance the person must be in a necessitous condition. Funds for these allowance come from an entirely different source from those for unemployment benefits. They are provided entirely out of public funds, four-fifths from the national and one-fifth from the local treasury. Duration of grant of such allowances is left by law to the discretion of the Minister of Labor. It was first set at 13 weeks, then extended to 26, and later, for some occupations, to 39. Persons who do not qualify even for emergency unemployment allowances must receive aid, when unemployed and necessitous, from charity. This means, to-day, assistance from the public-welfare authorities, since private relief funds mostly vanished during the inflation.

Support of the regular unemployment insurance system is provided through compulsory equal contributions from employer and worker, amounting to a maximum of 3 per cent of the wages, or 1.5 per cent from each side. The maximum rate of contribution is required until such time as there shall be built up a national reserve fund sufficient to provide for at least 600,000 unemployed persons for a period of three months. After that time rates for a district may be lowered, but not those for an individual industry or establishment. The reserve fund may be used also for aiding districts whose income from contributions is less than the demand for payment of benefits. Should the national reserve fund not suffice, loans to it may be made by the ministry of finance; but such loans have not so far been necessary. During the first year of operation of the law, however, winter unemployment threatened to drain all the reserves that had been built up during the preceding summer. In consequence special restrictions of assistance to the seasonal worker were passed as temporary amendments to the act of 1927. It is expected that with this problem solved the system will be upon a sound actuarial basis.

Coupled first with relief and now with insurance to the unemployed has gone the German program of public works. From 1919 to the present time the organization charged with unemployment assistance has consistently endeavored to promote public works in order to provide occupation for the unemployed. From the beginning of that year until October, 1921, about 390,000 persons are estimated to have been given jobs on public works who would otherwise have been unemployed. They numbered about three-fifths of those looking for work and were employed on the average for between four and five months each. During the year of worst unemployment in the postwar decade, 1926, the national government appropriated some 600,000,000 marks for railways, the postal service, and other national utilities which had run down during the war and had not been rebuilt. In addition it set aside an additional 200,000,000 marks for productive unemployment relief. This covered construction by local authorities which would not otherwise have been carried out for want of funds. Part of this money was matched by grants from the state in which the enterprise was conducted. Productive unemployment relief works were carefully regulated, first by executive orders and later by law. It was required that they involve a relatively large proportion of man power and small expenditure for materials and that their execution should lead to better distribution of labor or the creation of fresh opportunities for work.

Germany required a great deal of construction which could be classified under the legal definition of productive unemployment relief works during the first years after the war, and the utilization of a program of public works undoubtedly relieved much distress of persons who would otherwise have been unemployed. To-day, however, she has somewhat caught up on her building program and is looking slightly more critically at public works. It costs more to inaugurate public works than it would to give unemployment assistance, since added cost of raw materials and management, and the difference between relief and wages increase expenditures. Whether, on the other hand, public works, if genuinely needed, cost more than such enterprises would when conducted under normal circumstances is not known. After 10 years of consistent attention to public works in Germany, too, it is becoming increasingly difficult to find large enterprises that are genuinely productive and that do not infringe upon private enterprise. There are types of works, however, that are productive but not profitable. An example in point is the building of a road that increases or expedites traffic.

German opinion is solidly against the conduct of an enterprise for the mere purpose of setting people to work, as such waste of money is considered no solution to the unemployment problem. Furthermore, Germany has found from experience that the only satisfactory basis of payment to persons employed upon public works is that of the customary wage for the locality and job. Anything less results in the wastes incidental to poor workmanship. Also, while high turnover upon public works is to be desired in so far as the persons so occupied enter normal employment through that avenue, change which results from laying off workers in order to make room for others who are unemployed has been found to be impractical if the person is given less than three months of occupation. On the other hand, three months' employment is also usually the maximum, the person then being released to make room for another. Finally, at present Germany finds that only a small proportion, at present roughly about 5 per cent, of the unemployed can be set to work through productive unemployment relief.

One of the important by-products of the development of the employment exchanges and of unemployment insurance in Germany has been the improvement of statistics of unemployment. While the total number of unemployed is not known, gauges of the numbers and fluctuations in unemployment is secured in various ways. Through the local and district offices, the central office in Berlin secures twice a month statistics of the number of persons actually in receipt of unemployment benefits and of emergency unemployment allowances. In addition, it has figures of those occupied upon public works. Furthermore, data are collected of applicants to the employment exchanges, together with the relatively small per cent who are working and wish to change their jobs. Positions registered at the exchanges are also given, together with the number of applicants for work for every 100 available openings. These figures are published monthly for the public and the non-fee private exchanges. The fee agencies report quarterly.

The data concerning recipients of unemployment insurance and of applications to the employment exchanges not only give the amount and fluctuations of unemployment but are also used for analysis of occupations, industries, localities, and seasons which suffer peculiarly from unemployment. In this way assistance is given to the understanding of the details of the problem which is essential to its control. Other data available in Germany comprise trade-union statistics of unemployment and partial employment among their membership and reports on employment among persons in the health insurance fund. The last-mentioned figures and those of registration of positions at the exchanges give a sort of contrast picture to that of the other data, employment and available openings running low when unemployment is high, and vice versa.

The cooperation of the body administering the employment exchanges and unemployment insurance law of 1927 with other agencies, public and private, may best be seen through examination of the organization designed to enforce the law. The act established a special unified and autonomous bureau or sort of institute for its administration, controlled to a certain degree by the Minister of Labor. Local, district, and national offices are administered by equal-partisan committees composed of representatives of employers, workers, and public authorities, for conduct of the employment exchanges, and of the two formed for matters dealing with unemployment insurance. These are the policy-forming groups. Conduct of actual affairs, under the direction of these administrative committees is left to salaried officials, only the most important of whom are civil service appointees. The others are hired according to the terms of ordinary contract, to prevent bureaucracy. Local, district, and national boards of reference or appeal complete the machinery. Cooperation of employers, workers and public authorities is secured by their participation upon the administrative committees and widespread interest in the law is manifested by these groups. Their assistance gives promise of extending to such matters as conduct of the exchanges, decision as to eligibility to insurance, and the planning of public works and even, perhaps, of production. The cooperation of nonfee private exchanges is excellent, the trade unions in general expecting to merge their services into that of the public agencies. The same is true of those that are now being conducted by certain other groups. No monopoly of placement is intended, but an effective national, district, and local service is desired. The decision to eliminate fee agencies in Germany has not arisen from the present law, but is the product of long years of effort to control them.

The improvements of the German system over the English which are to be expected in view of the fact that the German model is the later would seem to lie first in the integration of the employment exchange with unemployment insurance. While under the English system the two work closely together the union of the two in Germany permits economies in administration, improvement of service to clients, and perhaps better gathering of statistics. The utilization of the health insurance fund for receiving unemployment insurance contributions represents another economy to the state in simplification of the machinery of collection of money and in securing compliance with the act. It is also easier for the employer to forward contributions to both funds simultaneously. The German specification of 182 days of work in a compulsorily insured occupation is an advance from the standpoint of financial soundness of the system, over the English, which counts that week as one of work in which a person has been employed as much as one day. The method of wage classification and of insurance benefits based upon the representative wage is fairer to the worker than the payment of a low flat rate, set with reference to minimum standards of living. It seems also to lend itself less to abuse by persons who prefer insured idleness to work. Finally, the basis of support and the machinery of administration result in active cooperation of employer and worker.

#### STATEMENT OF FRANCIS I. JONES—Resumed

The CHAIRMAN. As a result of this inquiry, I have asked Mr. Jones some questions by telephone, and he wrote a letter which I think it would be well for him to read into the record.

Mr. JONES. Mr. Chairman, that letter is as follows [reading]:

JANUARY 17, 1929.

Hon. JAMES COUZENS,

*United States Senate, Washington, D. C.*

MY DEAR SENATOR: Pursuant to the telephonic suggestion made yesterday by your secretary, I am pleased to submit the following information regarding the United States Employment Service:

Appropriation granted by Congress: Fiscal year ending June 30, 1928, \$200,000; fiscal year ending June 30, 1929, \$217,000; fiscal year ending June 30, 1930, \$217,000.

The United States Employment Service is cooperating with 205 offices in 176 cities in 33 States, including the District of Columbia. I am informed that 22 States make an appropriation for the maintenance of public employment offices. In States where there is no State appropriation the United States Employment Service is in cooperation with municipalities providing funds for the maintenance of public employment offices.

Funds allocated by the United States Employment Service to cooperating offices for this fiscal year total, approximately \$86,000.

One million four hundred and twelve thousand six hundred and forty-five persons were directed to employment through the cooperative service during the fiscal year ended June 30, 1928.

The United States Employment Service cooperates with 27 schools in maintaining junior public employment offices. When this division of the service was established, the United States Employment Service provided funds to assist in the establishing and maintenance of the same. However, the funds allocated to this division were withdrawn, as the maintenance of the junior division was regarded as a local matter for the support of which the Federal Government should not contribute money. While it is true that the conduct of junior public employment offices is a local responsibility, it is my best judgment that the Federal Government should undertake to assist financially in establishing junior public employment offices, and provide competent leadership in this important branch of the United States Employment Service. It is my best judgment that if there were more junior employment offices functioning efficiently, there would be fewer derelicts in later life.

The United States Employment Service provides the States and their political subdivisions, as well as the District of Columbia, with all forms for conducting the work of the cooperative service. Forms are also supplied to the junior placement offices. The courtesy of the penalty envelope privilege, which is furnished by the Post Office Department, is extended to all cooperating offices.

An important division of the United States Employment Service is its farm-labor division, which is charged with the recruiting and distributing of men to harvest the seasonal crops of the Nation, operating 11 permanent offices and 100 seasonal offices last year.

Five hundred fifty-nine thousand five hundred and seventy-one farm laborers were directed to employment during the calendar year 1928, at a per capita cost of a little less than 12 cents. This division is strictly a Federal operation, as all costs of maintaining the same are provided by the Federal Government. In this connection I desire to state, however, that at several points where our offices are located, the rent, heat, light, and in some instances the telephone expenses, are provided by the local chambers of commerce. Additional funds should be provided for the further expansion of the farm-labor division. In my report to the Secretary of Labor covering the work performed in 1928 by this division, I recommended that \$55,000 additional be granted to the United States Employment Service to be used in connection with its farm-labor division. If this additional appropriation were available the farm-labor division could be brought up to a point of efficiency that would enable it to serve the seasonal agricultural labor requirements of the country adequately. The approximate amount expended for this division during the calendar year 1928 was \$65,000.

Another function of the United States Employment Service is its information division. The country is divided into nine areas, with a director in charge of each area. Information regarding industrial conditions is gathered and published monthly in the Industrial Employment Information Bulletin. There is room for further improvement in this branch of the service.

May I be permitted to offer my opinion concerning Senate bill 4157, known as the Wagner bill? I am in full sympathy with, and heartily indorse the

principle of this bill; namely, to provide for the establishment of a national employment system in cooperation with the several States, and the development of such a system, but desire to suggest a few changes or amendments. It appears to me that \$4,000,000 made available for the first year of operation of such a system is far too large an appropriation. In fact, to establish a national system in cooperation with the States, with that amount of money available would, in my judgment, defeat the very ends we are endeavoring to accomplish; namely, to build up a service on a solid foundation, with a personnel well equipped to render first-class service. As the system is developed and its usefulness proven, an additional appropriation could then be made available if required.

While it is desirable at times to furnish transportation to move workers from one section of the country to another, this provision of the bill should be safeguarded. I do not favor the Government furnishing transportation without a provision stipulated in the bill that it is to be returned by the workers to the Government within a given period of time.

It occurs to me that the bill might better define how the money allocated to the several States should be expended. For example, in the event there was a demand for several new offices in a certain State, would the money allocated by the Federal Government to that State be available for the purchase of furniture, equipment, etc., and if so, would the Federal Government have any right, title, or interest in said furniture and equipment in the event the Federal Government should decide at some later date to withdraw its cooperation?

The Wagner bill does not declare nor state how the personnel of the proposed employment system shall be selected. In order that there may be full harmony and no conflict in this matter, it would be well that it be defined.

Twenty-two States and the District of Columbia have made appropriations for establishing and maintaining public employment offices. Twenty-six States have no appropriation.

A recent study made by the American Association for Labor Legislation states that the amount appropriated during the last fiscal year for the maintenance of the public employment offices of the United States from all sources was \$1,403,906. The amount contributed by the several States, county, and municipal governments was \$1,203,906.

Very truly yours,

FRANCIS I. JONES, *Director General.*

Senator TYSON. Have you a list of the States that make appropriations for the employment offices?

Mr. JONES. I have a list of the States that we are in cooperation with, and I could give you a list of the States that make appropriations. Your State of Tennessee does not, but we are in cooperation with Knoxville. I went down there and as the Wagner bill provides we established that office in cooperation with the city, and we got them interested. At first they made no appropriation. They supplied the space, and later on they supplied a superintendent for the office.

Senator TYSON. Without going into detail, have many of the Southern States made any appropriations?

Mr. JONES. A number. North Carolina has, and Virginia has a small appropriation. West Virginia had a \$2,500 appropriation, but they got into some little difficulty there, and they have no appropriation at the present time. Georgia has none, but we have perhaps one of the best offices in the country in Georgia. With the manufacturers' association, the Young Women's Christian Association, and various other associations, we have a coordinated service there. It is one of our best. Mr. Woolford, president of the Retail Credit Men's Association, was our director, when we established that. He advanced about \$6,000 of his own money. He is a man worth considerable money, and is interested in all civic matters. He helped

us to establish that office but later on he withdrew, and he helped us to develop other things.

Senator TYSON. You have never had anything to do about finding employment for farm labor in the South, have you?

Mr. JONES. Oh, indeed, one of our biggest operations is in Texas, and we have a man in North Carolina who devotes a good deal of his time to the farm-labor movement in connection with that State. In the eastern part of North Carolina, in the upper section, they have fruit, and it requires a great deal of effort to gather men to go to that section. We have a man that assists there. We also do work in Mississippi. We don't do as much in the farm work in New York State.

Senator TYSON. I think there is very little unemployment in Tennessee.

Mr. JONES. It is in pretty good shape now.

The CHAIRMAN. In what way does the United States Employment Service cooperate with the 205 officers in the various cities and States?

Mr. JONES. The Federal Director of the United States Employment Service, for instance, for the State of Pennsylvania, is the one in charge of the employment service work. It comes under their industrial relations department. The Secretary of Labor issues an appointment to him, and automatically, in charge of the employment service, he becomes a Federal director at a nominal salary of \$1 per annum.

Then we furnish standardized forms to conduct the work so as to make it uniform throughout the State of Pennsylvania and elsewhere, and also penalty envelopes, to be used only in connection with the employment service work. We have several people in the Pennsylvania service on our rolls, and I will submit them, if you would like me to do so. We have one in the Scranton office, one in the Philadelphia office, and one at Johnstown. Here is a list of the personnel, and I would be very glad to leave that with you, if you like—Philadelphia, Erie, Johnstown, and Scranton. Those are places where they were needed more than any other part of the State, and our contribution to the State of Pennsylvania was absorbed by assisting in those offices. The cooperation is with the entire State. We have no communication with these individual offices, except as it comes through the State. For instance, if a man in Philadelphia writes us that he wants a job, maybe he is not aware there is an office in Philadelphia; we take the matter and refer it to the Federal Director at Harrisburg, and he takes it up with the office that it is to be cleared through.

The CHAIRMAN. These directors that you refer to are paid out of the Federal Treasury?

Mr. JONES. No. \$1 a year is their compensation.

The CHAIRMAN. So that outside of that the service that the Federal Government gives to Pennsylvania is confined primarily to furnishing the forms and uniform system of reporting.

Mr. JONES. Yes. That is the first movement we make, and then if there is a need for financial assistance, and if we believe that they are entitled to it, and we have the funds, it is extended.

The CHAIRMAN. Have you extended any financial assistance to the State of Pennsylvania?

Mr. JONES. Yes. We give to Pennsylvania at the present time about \$7,000 per annum.

The CHAIRMAN. What is that used for?

Mr. JONES. That is used in the Philadelphia office and the Erie office, and the Johnstown and the Scranton offices, for a placement clerk, and in directing men to employment.

The CHAIRMAN. All those have their full pay from the Federal Government?

Mr. JONES. Yes. That is a part of the allocation of the \$86,000 of the Federal Government contributed to the several cooperating States.

Senator TYSON. Has Pennsylvania many employment offices?

Mr. JONES. Yes; it has 13 or 14.

Senator TYSON. Does it appropriate quite a lot of money for those?

Mr. JONES. I think their appropriation is about \$100,000.

The CHAIRMAN. Are those men political appointees, or are they appointed under the civil service?

Mr. JONES. They are political. We are not under the civil service. A recommendation comes to us from a Senator or a Representative.

The CHAIRMAN. Would you recommend them to be put under the civil service?

Mr. JONES. I believe it would be much better for our service if it were under the civil service. There would be more stability to it. I would favor it. If the Wagner bill becomes a law, I would say, put it under civil service. If not, we could not operate successfully in my judgment. As I state, we might build up something to defeat the very ends that we are trying to establish, and that is, concerning the personnel. You are liable to get a type that would not be the right man for the job, and through the civil service, if standards were set up. I believe that we would get a higher class of personnel.

The CHAIRMAN. Does the Federal Government in any way co-ordinate the activities of the 205 offices scattered throughout the country?

Mr. JONES. Yes.

The CHAIRMAN. In what way?

Mr. JONES. Through the Federal director of the State, I frequently visit the State, and with the Federal director visit their offices. I recall in a certain State in the South that I went through the State with the Federal director. I felt that there were several of their men that the State was paying that were not performing good service. We get their reports, and try to measure them up from our office. The result was that there was a change in two of those offices, and that change has been beneficial.

Senator TYSON. Have you a list of the various offices that you have in the United States now, the 205?

Mr. JONES. Yes.

Senator TYSON. Where do you have them mostly established?

Mr. JONES. In the industrial States—New York, New Jersey, Pennsylvania, Ohio, Illinois. We are not in cooperation with Michigan. We were, but no longer, for the reason that they changed their policy in the State of Michigan so that they charge an applicant \$1 for

registering and directing him to employment. We felt that we could no longer cooperate or furnish them with the penalty envelopes or with forms. We felt that whether it is State or private, the concern that charges for its service no longer has any right to the benefit of the Federal Government. We hated to cut off our cooperation with Michigan, because we did a great deal of work under the former administration.

Senator TYSON. Do they charge anywhere else except in the State of Michigan?

Mr. JONES. It is the only State that charges an applicant to register for employment. That registration fee of \$1 holds for one year, but it is a fee.

Doctor LUBIN. Mr. Jones, the chairman asked you whether the Federal Government does anything to coordinate. You say that they furnish forms, and you have franked envelopes, and also that you have gone through these States and supervised their organizations, but is there any coordination between them all? I mean, does Pennsylvania, through your office, work with Massachusetts or with Texas? Are they coordinated so that you have a uniform system, or are they all individual organizations with no relationship to each other?

Mr. JONES. For instance, Waterbury, in Connecticut, a few days ago wrote me that they wanted a number of machinists. Immediately I took the matter up with the Federal directors of States that we are in cooperation with, and they then took the matter up with their individual offices. We furnish them with forms, and in that way there is a unification of efforts. If there is one section that is short of working men, as there is to-day for fine tool and die makers and machinists, and for rock miners out in the western mining States, we clear that through the offices in the area nearest to the place where the demand is for working men. So that we are in touch with all offices, and so is every State in touch with the offices in our system.

The CHAIRMAN. Is there any probability for furnishing too many men to Waterbury, Conn., under this system?

Mr. JONES. There may be.

The CHAIRMAN. Then they have not proper coordination.

Mr. JONES. We are notified that they have sufficient men, and send out another notice, promptly. I am not using the telegraph as much as I could, because I was called down pretty hard at one time by the Committee on Appropriations for using the wires. I will say this: In our farm-labor work in Kansas we had a requisition for 1,000 men. We knew that they did not need 1,000 men, for we make a survey of pretty nearly every district in the United States that we serve in our farm work. We wrote back to the mayor and the chamber of commerce secretary and said that we would not send them 1,000 men because they could not need them. We said that we would send them 100 men, but that they must employ every man we sent. They sent back word to hold the matter up saying that they would let us know how many they wanted, and they needed less than 100, which we supplied them, and they employed every one that we sent them. We do exercise the best care that we can in this matter by not providing too many men, as well as providing enough.

Doctor LUBIN. Do you have any way of knowing how many men were sent to Waterbury by the various States?

Mr. JONES. They report to us the men that they send. The letters I have on that is that they replied they were short themselves and they could not supply Waterbury. Those letters I have in my file.

Senator TYSON. You say that you supplied them? Do you help them to get there?

Mr. JONES. No; we pay no transportation.

Senator TYSON. In other words, you simply let them know that there is opportunity for employment at that place?

Mr. JONES. May I answer another question of yours? On December 13 I received a letter from Marvin F. Clark, of New Jersey, asking for employment. I immediately took the matter up with Russel J. Eldridge, and he wrote me on September 13 about the application of Mr. Clark, and stated he was pleased to report that the Trenton office has placed the man as a janitor. So we are clearing people throughout the United States. Every day there is a clearance.

The CHAIRMAN. What I am trying to emphasize is that I fear that either the slowness of the process or the lack of coordination might get you into difficulties. If Waterbury wanted 20 men it is possible to get 30 or 40 there, and then 15 or 20 would be without employment.

Mr. JONES. We have not had that yet to contend with, but we have not personnel enough. We have an appropriation of \$205,000 to cover our entire activities. We have no men to travel. I asked for two men to travel throughout the country. We only have a skeleton appropriation. We have not the personnel to take care of these matters. We have been doing the best we could with a skeleton organization and a skeleton appropriation.

The CHAIRMAN. You testified I think in that letter that you placed 1,412,645 persons through your cooperative service?

Mr. JONES. Yes.

The CHAIRMAN. Have you any idea of how many of those men would have been placed had you not had the service?

Mr. JONES. It would be only a guess. Many of them would perhaps be placed by private employment agencies. Perhaps some of them would have found employment at the gates but they would have spent a lot of time and energy going from one place to another. I can not answer the question.

The CHAIRMAN. So that you believe that whether you are responsible for placing those men or not, you did help them to secure service more promptly, and to obviate the necessity of tramping from place to place.

Mr. JONES. Yes.

Doctor LUBIN. Would not those same offices that placed those men have been there to do the job without the Federal service?

Mr. JONES. If the State had provided offices no doubt they would have been placed without the Federal service, but there would have been no coordination with the States. They say that they are able to do much better work through our assistance. I have a letter on that matter right now, if you care to read it, from the Federal director who has just recently retired in Ohio. I will hand it to you so that you can have it for your files. It shows the value of the service to the State of Ohio, and we are giving them only about \$1,400. Of course the State could conduct an office without the Federal

Government. They could conduct many other things. They could build roads without the aid of the Federal Government. They could conduct maternity work in the States without the help of the Government and do a lot of other things, but I have observed this, that when unemployment set up its head in this country last year, the Federal Government was greatly concerned and I think rightly so.

Senator TYSON. You think that it encourages the State to take more notice of it?

Mr. JONES. It certainly does in my opinion.

The CHAIRMAN. Do the appropriations of the Federal Government help to keep in existence any State or municipal office which would not otherwise be kept in existence?

Mr. JONES. Yes; but it is hard for us where there was no office. There was none in West Virginia. There was not anything in Knoxville.

Senator TYSON. Just what would be the effect on the State employment offices, should the Federal service be withdrawn?

Mr. JONES. The Federal director from Iowa said that he would not be able to conduct his service, if we did not assist him.

Senator TYSON. Have you any other evidences of that kind beside the State of Iowa?

Mr. JONES. I am quite sure that there would be quite a number. In Wilmington, Del., we established an office. It took me a number of months. We helped put that office on the map, and the city assisted us. We were the ones responsible for it.

Senator TYSON. Take the information division of your service. In what respect does that differ from the reports usually sent out by banks and trade papers?

Mr. JONES. There is the result of our efforts in that direction. The Federal reserve banks use that information. Here is a letter from a Federal reserve bank in Philadelphia under date of January 9, and you can read this.

They thank us for sending them so promptly the working sheets and trade data for the years 1921-23, and they say that they will be able to make use of that information.

The CHAIRMAN. A copy of your Industrial Employment Information Bulletin may be filed with your testimony.

Mr. JONES. I have many letters from Senators that express their appreciation of that. One wanted 25 copies and another 100. That shows the value of that service.

The CHAIRMAN. Just what would you recommend that the Federal Government should do to make more reliable the employment situation throughout the country. How would you recommend that the Federal Government may have reliable statistics about unemployment?

Mr. JONES. I think they should be gathered by the Department of Labor.

The CHAIRMAN. How?

Mr. JONES. At one time the United States Employment Service gathered statistics, and got its information direct from the payrolls, which was sent to Washington by wire. I believe that Mr. Ethelbert Stewart, the Commissioner of Labor Statistics, is well equipped and able to develop a good plan for gathering statistics to supply the

Congress and the country with information regarding employment and unemployment in the country.

The CHAIRMAN. Have you adequate legislation to provide for that?

Mr. JONES. I am inclined to believe that we have not.

The CHAIRMAN. What do you recommend that we do to get that?

Mr. JONES. Taking that matter up at one time before the Bureau of the Budget, I asked that we be given \$150,000 to develop a system that was worth while. Everybody seems to be grabbing figures out of the air and giving them out to the public, saying that there is so much unemployment, and there is some agitation, and perhaps that is creating unrest without anything reliable to stand upon. I believe that we should have a good system of gathering statistics, one that is reliable, and the Bureau of Labor Statistics of the Department of Labor is well fitted so as to gather those statistics.

The CHAIRMAN. What is your interpretation of unemployment? Does it constitute a girl who may desire to work but not able to secure it, or a young man who may desire a job and not be able to secure it, or do you confine it to the heads of the home, the provider? What is unemployment?

Mr. JONES. It is a big question. People differ on unemployment. A man may be not working, and yet not be unemployed. He may be laid off for four or five days. Perhaps he can not find a job in his particular kind of work. He may perhaps be beyond the age where he can get employment. Consequently he could not be counted as unemployed. He should not be registered with the unemployed. There are so many different kinds of things that enter into this question of what is unemployment that it is rather difficult to define. I look upon a man as unemployed who is looking for work and unable to find it, whether it is in his own vocation or in any other line that he can work at.

The CHAIRMAN. If you were compiling statistics on unemployment, you would not count in those statistics young men or young women who may be just adjuncts to the family exchequer, who are not regularly employed?

Mr. JONES. I would count them unemployed if the young man or the young woman were contributing to the support of the home. If a young man even under 20 years of age is the support of the home, and is out of employment, he is unemployed. He is a contributor to the home; but I would not call a young man 16 or 17 years of age, who is just taking an occasional job and working four months, unemployed. That would not be a proper definition.

The CHAIRMAN. I have one question that I would like to ask Professor Commons before he goes. Professor, have you ever given any consideration to the staggering of employment, due to cyclical unemployment, so that instead of laying everybody off entirely, you would lay them off for three days a week and employ the remaining men three days a week?

Doctor COMMONS. Oh, yes.

The CHAIRMAN. Is that a means which might be generally adopted during cyclical unemployment?

Doctor COMMONS. Where we have a trade-union organization, that is always the rule under the practice of dividing the jobs equally. That is always done.

The CHAIRMAN. What is the attitude toward that, assuming that it is not under the domination or control of a labor union?

Doctor COMMONS. They usually put them on short time—five days a week, four days a week. That is quite general. Generally, the usual way is that that is a good time to get rid of the incompetents, and they lay them off permanently. That is a weeding-out process that they usually take advantage of. That is the ordinary way of doing it. There are a few firms in the country that practice staggering.

The CHAIRMAN. I remember that when I was mayor of Detroit in 1921, during the great unemployment period, we seemed to have gotten beneficial results in preventing undue suffering by getting the manufacturers and the employers together to stagger employment rather than to lay off whole groups.

Doctor COMMONS. That is, of course, the proper way to do.

The CHAIRMAN. Do you believe that industries find that an inefficient method?

Doctor COMMONS. I think it is inefficient.

The CHAIRMAN. It would be better if they did not have to do that?

Doctor COMMONS. Yes. That is an emergency measure. It is not under a plan which is contemplated in these various schemes.

The CHAIRMAN. Have you anything further that you would like to suggest, Mr. Jones?

Mr. JONES. Nothing. I think I have covered the matter in regard to your bill in that letter. Only as I say, if that bill should become a law, do not appropriate too much money the first year.

The CHAIRMAN. I don't think you need to worry about that.

Mr. JONES. It is not a question of money. I would suggest that we would have just enough to set up a good organization, a careful organization, and it occurred to me that \$500,000 for the first year ought to be sufficient to build up such an organization as we should have for employment services.

The CHAIRMAN. Doctor Commons, you have heard Director General Jones. Have you any suggestion to make on what he said about the effort of the Government to employ through the Labor Department?

Doctor COMMONS. It appears to me that Mr. Jones has the right idea on cooperation. There is one part of their cooperation that it seems to me is unwise, and that is putting placement men in offices. They have about 50 of these men doing actual placement work. That ought not to be done except in first starting the office. The States should provide the entire staff. On the other hand, Mr. Jones ought to have a sufficient force of the best expert talent on employment offices that we can find, to make these arrangements with the States, to give or withhold funds in small amounts, very small amounts, with regard to their judgment of what is efficient, to cause the State to improve their efficiency, solely a supervisory and educational force, to gradually bring the States up to a higher level. That is the practice of the Federal Vocational Board in the last 8 or 10 years, and the results there confirm me in my idea that you should have that sort of service rather than placement service.

The CHAIRMAN. That should be a sort of circulating supervisory force that would circulate all over the country?

Doctor COMMONS. Yes.

Doctor LUBIN. Don't you believe that there should be clearing houses, somewhat like we have in the Federal reserve banks, in 12 centers of the country, 12 strategic places, so that there should be one central place in New England, and so on.

Doctor COMMONS. These supervisors that they might have would be located, say, one in the Chicago area, and his office would have to be a clearing house, besides its doing the inspectional work for the States. They should be liberally provided with telegraphic service. That would make all the difference in the world in this proposition. You will get quick action. You will have these supervisors constantly in contact with the States, and the local offices, and they would acquire the habit of referring to this Federal supervision.

Mr. JONES. I have recommended at former times that we have clearing houses in various areas in the country in order that the surplus and the demand for labor could be cleared quickly. Take for instance, Ohio, West Virginia, Michigan, Wisconsin, and one or two other States that are right together. Have a clearing house which could clear the labor in that area.

The CHAIRMAN. In other words, that should be maintained exclusively by the Federal Government?

Mr. JONES. Yes. I have recommended that at former times.

The CHAIRMAN. Doctor Commons, you don't think there is much opportunity to stabilize agricultural employment, do you?

Doctor COMMONS. Of course in Wisconsin we have labor highly stabilized in our dairy industry. Of course, with ordinary crops it is impossible. This Federal seasonal employment farm service then is the only way to take care of that.

The CHAIRMAN. Where are those men to be recruited from, to help agriculture in this crop harvesting?

Doctor COMMONS. A number of them are lumbering men, who are in the camps in the wintertime. Quite a large number are students from colleges and universities. That is a very large element. They want to make something in the summer vacation. It does not necessarily pull away from any other occupation.

Mr. JONES. San Antonio, Tex., is one of our splendid markets to recruit labor, and Minneapolis is another one.

The CHAIRMAN. Where do they come from in San Antonio?

Mr. JONES. At the San Antonio office they are largely Mexicans. Some of them from over the line, but there are some sixty or seventy thousand who live in that area.

The CHAIRMAN. Do they go back to Mexico when they are through?

Mr. JONES. No.

The CHAIRMAN. That is the very agitation that we are having now about a quota on Mexican immigration.

Mr. JONES. Yes.

The CHAIRMAN. We will now close these hearings on unemployment, and the committee will stand adjourned.

(Whereupon, the committee stood adjourned at the call of the chairman.)

**STATEMENT OF ISADOR LUBIN SUMMARIZING AN UNEMPLOYMENT INVESTIGATION MADE BY THE INSTITUTE OF ECONOMICS OF THE BROOKINGS INSTITUTION, WASHINGTON, D. C., AND THE EVIDENCE OF WITNESSES ON S. 219, "A RESOLUTION PROVIDING FOR THE ANALYSIS AND APPRAISAL OF REPORTS ON UNEMPLOYMENT AND SYSTEMS FOR PREVENTION AND RELIEF THEREOF"**

The evils of unemployment have been too often heralded to need elaboration here. The reduction or entire loss of family incomes with the consequent expenditure of family savings, the almost inevitable piling up of debts, the loss of physical possessions, and the frequent dispossession of families from their homes have all been too well portrayed in the past to need comment here.

Reports of the Department of Labor, of social agencies, of trade-unions, of mayors' committees, and the testimony of court officers, personnel directors and leaders of industry bear testimony to the deteriorating effect of unemployment both upon workers and industry. Nor need one do more than refer to the incalculable losses which result from the workers being forced into lower standards of living, from the impairment of health and vitality, and from the general lowering of the morale and self-respect of the worker as a result of unemployment.

Without exception, it was the opinion of all who testified before your committee that unemployment is primarily a problem of industrial organization and not one of individual character. No impartial observer of industry would to-day attribute the existence of any but a relatively small share of unemployment to the workers themselves. The view widely held in the past that the unemployed are themselves to blame for not having jobs, and that all who really wanted work could find it if they tried hard enough, has long been discarded. Recurrent business depressions with as many as 25 per cent of the able-bodied workers deprived of the means of a livelihood have shown the fallacy of the assumption that the laborer is at such times responsible for his plight.

Although the dramatic spectacle of millions of unemployed walking the streets of our industrial communities during recurring periods of business depression temporarily makes vivid the enormity of the problem of unemployment it must be borne in mind that there are millions of workers to whom the loss of employment is a spectre which threatens during every year of their working existence. Unemployment is a persistent factor in modern economic life. The industries and plants which can give regular employment to all of their laborers, even in times of prosperity, are few indeed. The records of the State of Massachusetts for the years 1908 to 1922, based on returns from labor organizations, show that on the average 7.7 per cent of the membership of the trade-unions reporting were involuntarily out of employment, due to lack of work, during these years. An investigation of the extent of unemployment in the urban centers of the United States from 1902 to 1917 places the minimum number of unemployed throughout this period of 15 years at 1,000,000, the average proportion of workers without work fluctuating from 16 per cent of the total possible workers in 1915 to 4.7 per cent in 1917. And these figures incidentally do not include any of the agricultural workers of the country. A statement published in the press of September 29, 1924, by the Russell Sage Foundation estimated the extent of unemployment in the United States in any one year as running from the minimum of 1,000,000 to a maximum of 6,000,000, depending upon the general industrial conditions prevailing at the moment.

The committee on elimination of waste in industry of the Federated American Engineering Societies in its report, "Waste in Industry," published in 1921, to which the Hon. Herbert Hoover wrote the foreword, further substantiates these facts. It states: "In the best years, even the phenomenal years of 1917 and 1918 at the climax of war-time industrial activities, when plants were working to capacity and when unemployment reached its lowest point in 20 years, there was a margin of unemployment amounting to more than a million men. This margin is fairly permanent; seemingly 1 or more wage earners out of every 40 are always out of work."

Unemployment, as was aptly stated to your committee, may be considered both as a price society must pay for progress, and as a price to be paid for decay. It may be the result of efficient management and it may be the result of inefficient management. Many of the unemployed, in other words, are to-day out of work because the progress of modern industry, the development of mechanical processes, and the revolutionary changes in methods of manufacture make them no

longer necessary for the production of the goods we need. Others, on the other hand, are thrown out of work because of the decay of industries which formerly required them. This is particularly true of the raw-material industries, when they find their source of supply diminishing as well as of industries such as cotton hose and corset manufacturing, where a change in the consumer demand eliminates in turn the demand for the services of labor.

Thus, also, the efficient executive by eliminating wasteful processes or budgeting his output frequently finds that he can secure the same output with fewer workers regularly employed throughout the year than with his former labor force intermittently employed. Here, stabilization leads to regular employment for some and no employment for others. The inefficient executive, on the other hand, unable to meet the competitive demands of the market also adds to the army of the unemployed; bankruptcy and shutdown having the same effect upon the dispossessed worker as displacement by machinery.

Unemployment can not be considered as a malady which can be attacked with a single remedy. Such unemployment as exists at any one moment may be due to any number of causes, and an attack must be made upon those forces which can at the time be segregated. A considerable amount of unemployment is recurrent. It occurs at more or less regular intervals. Such, for example, is unemployment due to general business depressions and unemployment due to the seasonal ups and downs of industry. Some unemployment is persistent. It is always with us. Thus, men are daily being thrown out of work because of technological changes, financial failures, the movement of plants from one locality to another, and changes in consumer habits. Such unemployment is transitional and requires measures for its alleviation quite different from those which are to be used in coping with the cyclical variety.

#### I. CYCLICAL UNEMPLOYMENT

The recurrent nature of unemployment has been frequently pointed out by observers of the "business cycle." Some have held the psychology of the business man as the essential cause of depressions; others monetary policy. Still others hold that underconsumption—that is, the failure of the purchasing power of the laborers who form the bulk of the consumers of our industrial and agricultural output to grow as fast as the output of industry—brings about a surplus of goods which can not be disposed of, and a consequent shutting down of production and business stagnation.

It is doubtful whether any single cause can be singled out as the sole factor in bringing about industrial depressions. They have come with remarkable regularity, and periods of feverish business activity with expansion of plant, speculation, and optimism have been followed by periods of restricted industrial operation, low profits, bankruptcy, and unemployment some fifteen times during the past 120 years.

Every business crisis in American history has been characterized by phenomena peculiar to itself. No two depressions have been exactly alike. They have varied in length, severity, and effect. In this respect they have been no different from any other social catastrophe—wars, strikes, or revolutions. Because of their individual peculiarities there has been a tendency to explain each crisis by the distinctive circumstances which prevailed at the time of each depression. One hears of the "Jay Cooke panic" of 1873, "the railroad panic" of 1884, "the Baring panic" of 1890, "the Bryan panic" of 1896. Since the fortunes of Jay Cooke, the Baring Bros., and Bryan were involved in these crises these individuals have been associated in the popular mind with their causes. Yet it is quite probable that the crises in question would have occurred at or about these times even if these individuals had not been on the scene.

In spite of their differences industrial depressions have many outstanding features which are common to all. They are part and parcel of that upswing and downswing of business which appears to be the inseparable condition of any competitive system in which activity is guided by price changes. Special events outside of the business world itself may, to be sure, affect the acceleration of the swing, or even cause an abrupt reversal of the trend. Such was the case in 1916 when the rush of munitions orders from allied countries suddenly changed the trend of business conditions in the United States. Likewise special factors may prolong a period of prosperity or hard times, as was the case of the large wheat crop of 1890 which, with the favorable grain prices of that year due to foreign crop failures, is believed to have mitigated the depression of that year and delayed the crisis from 1890 or 1891 to 1893.

"But if such a special and disturbing event does not happen, the wavelike movement goes on anyway. Prosperity in time undermines itself, and depression in time brings about recovery and prosperity without the necessary aid of outside disturbing factors."

To illustrate the workings of this tendency it will be worth while to follow briefly the course of the business cycle. Starting, for example, at a period of depression, one finds widespread unemployment, and that orders for new industrial products are, on the whole, few and far between. To secure new orders prices are pretty generally cut, and every cost of operation is made as low as possible. For a time such activities tend to produce more depression, for in periods of falling prices buyers tend to wait for still further declines. As a result of price cutting, producers thus far able to weather the storm find themselves unable to continue further operation, and their workers are added to the ranks of the existing unemployed. With the purchasing power of these workers cut off, other producers find their markets still further restricted and they in turn are forced to still further curtail their operations. Despite the large supply of labor available and the cheapness of capital, everyone hesitates to undertake new operations. "The industrial machine appears to be stuck on a dead center."

Eventually, however, prevailing stocks of goods tend to become depleted. Since there is usually a greater curtailment of production than consumption, inventories become smaller and smaller. The time comes when stocks must be replenished, and here and there a factory secures new orders. These orders mean the purchase of new raw materials and an increased employment of labor. This in turn means greater purchasing power for certain groups and their expenditures mean an increasing demand for products all along the line. The process is a cumulative one, and the number of industries experiencing increasing demand becomes larger and larger.

At the same time the low cost of construction which characterizes depressions encourages building among those industries such as public utilities which do not usually feel the full force of the business decline. This is particularly true of those industrial firms which cater directly to the household demand rather than to the industrial demand and frequently such enterprises find that depression has cut their operating costs more than their incomes. In such instances they are in a favorable position to provide new facilities for future use. Once building begins anew the producers of the goods used in construction—brick, lumber, cement, structural steel, and the like—experience an increased demand, and soon the transportation and metal industries feel the effects of an improving situation. Each transmits to the other the benefits of its growing prosperity, and all of them, through their pay rolls, stimulate the retail trade which in turn adds further stimulus to the industries where the shift in the tide started.

The revival of business begins. It may "fizzle out" when the exhausted stocks are replenished—as it did in 1895—or it may run into a revival and a prosperity movement, which has no real basis excepting the reaction from a depression that itself had no real basis.

During the early stages of business revival, while orders are increasing and employment growing, prices do not rise to any extent. The average business man hesitates about raising prices until he has sufficient orders to keep his plant fully occupied. Competitive buying of raw materials soon sends up the prices of such goods, however, and the manufacturer finds his production costs going up. The time comes also when some manufacturers are willing to risk raising the price of their products even though they may lose some orders. The rise in prices once started, each increase tends to start price advances in other lines. When such advances have become numerous enough to make people expect still others, the very tendency of prices to rise stimulates buying. Speculators, jobbers, wholesalers, and retailers, even consumers, start buying ahead in anticipation of still further advances. Thus stocks of goods begin to accumulate in warehouses and on store shelves.

As the boom continues the rush of orders brings in its trail waste and high-production costs. Large profits lead to the neglect of economies. And the business man, pressed by orders for prompt delivery, pays little attention to such small savings as may be secured at one point or another. Frequently, too, equipment formerly abandoned as too expensive to run is brought back into operation to meet the growing demand for goods. This means further

increases in production costs. High wages, resulting from the large demand for workers, play their part also, and high overtime rates add their share to the growing cost of production. Again and again prices are raised to meet the encroachment of rising costs upon profits.

Eventually the time comes when the existing equipment of many of the industries is working at capacity and new goods can not be produced in sufficient quantities until new equipment can be provided. When that time comes, further rises in price add nothing to the existing supply of goods. Indeed, they do nothing more than to increase speculation.

Periods of boom end themselves just as surely as do periods of depression. Occasionally the bankers find themselves overextended and curtail credit. As a result, some firms are forced to contract their activities and use their income to pay off loans rather than to expand production. "Sometimes it becomes known that excessive stocks of goods are being held for speculation and a scramble to unload starts prices downward—as was the case with silk, sugar, rubber, and other commodities in 1920."

Once liquidation has started, manufacturers begin to find it hard to collect their outstanding accounts. The difficulty of securing funds for pay rolls, or the fear that it will be difficult to secure payment for new goods which might be produced, lead business executives to discharge labor. Markets become disorganized by forced sales, and business contracts. Depression spreads to other lines of activity for the reduced incomes of the discharged laborers curtail their purchases. The contraction of business becomes cumulative. The decline in consumer's demand is reflected in curtailed orders from retailers, and this contraction affects the wholesaler, manufacturer, and the producer of raw materials, all of whom in turn discharge still more workers.

By the time the bottom of the depression has been reached, production has fallen to something like 15 to 20 per cent below the peak and to about 8 to 12 per cent below the production of fairly good years. The employment of labor in the manufacturing industries may decline by as much as 25 to 30 per cent, as was the case between early 1920 and the first half of 1921. During the depression of early 1919 employment fell approximately 15 per cent below that of the third quarter of 1918, while in 1914-15 employment was about 10 per cent below the average for the peak which preceded.

The decline in employment, it should be noted, is not evenly distributed among all industries. Factory employment during 1921, for example, fell to 76 per cent of its former peak. Within the manufacturing industries, however, employment in the metal and metal products industry declined by 43 per cent, while the producers of mineral products, such as chemicals, stone, glass, etc., employed 18 per cent fewer workers than at the height of activity. Employment in the lumber industry declined 16 per cent; in transportation, the railroads decreased their forces by 22 per cent; and the mining industry cut its employment rolls by 27 per cent.

Every activity, with but the one exception of the hand trades experienced contraction during the depression of 1921. The depression was felt even in the public and professional services, where employment fell by 2 per cent, and in the field of domestic and personal services it declined by about 3 per cent. Taking labor as a whole, the depression of 1921 forced out of employment approximately one-seventh of the working population, or approximately 4,000,000 workers who had had jobs at the crest of the 1920 boom.

If one measures the decline of employment resulting from the depression of 1920-21 in terms of the hours actually worked, one finds that available employment was even more restricted than appears above. The maximum decline for all industries amounted to approximately one-sixth of the hours formerly worked, while the contraction in working time in manufacturing industries was equal almost to one-third of the time formerly worked. The actual hours worked in the metal trades was cut to exactly one-half of that of the peak of the boom, and in mining and railroading, and in the food, drink, and tobacco industry to 70 per cent. Omitting agriculture, commerce and trade, finance, and the personal-service trades, the work available for the wage earners of the country during the worst part of the depression, when measured in hours, was about 20 to 25 per cent less than at the height of business activity in 1920. In short, not only was there a large contraction of employment, but even those who did have jobs had less opportunity to work than previously.

The depression of 1920-21 was in many respects similar to others which preceded it. Testimony submitted to your committee placed the cost of this

depression to the American people at something like \$9,000,000,000. It was the general opinion of those witnesses qualified to pass judgment upon this subject, that although no definite means were available for entirely eliminating the recurrence of industrial depressions, much can be done to mitigate and shorten them once they do take place. The measures suggested toward this end are discussed at a later point in this report.

## II. SEASONAL UNEMPLOYMENT

To say that all industries are seasonal would hardly be an exaggeration. It would be most difficult to find an industry which showed an even distribution of production and employment throughout the year. An individual plant, here and there to be sure, may show steady and regular employment from month to month, but such plants are exceptions and by no means the rule in any industry. Some industries, like some plants, show less fluctuation in employment than others, but none are free from seasonal ups and downs. The difference is primarily one of degree. In northern areas industries like agriculture, various types of construction, particularly highway and railroad, are largely at the mercy of the weather. The canning industry is dependent upon the maturing of the agricultural crops for its periods of operation. Coal mining finds that the demand for its product is higher in periods of cold weather than at other times. The manufacture of clothing varies with changes in the calendar seasons and with changes in fashions.

What seasonal changes in demand mean to industry is well illustrated by the men's clothing industry, where an investigation of eight representative plants in three large markets showed that over a period of three years the equipment was utilized on the average but 69 per cent of the possible working time. One plant was used 58 per cent of the time, a condition which might safely be said to characterize hundreds of others. Similar instances could be cited in the shoe industry where sales in some months of the year run as high as 250 per cent above the average and in others as low as 87 per cent below.

In printing the case of one large and important plant can be cited which employs 2,700 people in rush seasons and drops to 1,500 in dull. Another printing plant employs 1,800 workers in good seasons and discharges 1,100 twice each year during periods of slack work.

Even the manufacture of such a product as writing paper is seasonal, the maximum demand centering about the month of March with another peak about October, and the lowest demand during July and August. The production of other office supplies, such as record books, safes, and labor-saving devices, furnishes a similar picture of irregularity, with the peak in October, and four slack months from May to August. One might go on with innumerable examples citing cases of products varying from soap and macaroni to automobiles, plate glass, cast-iron pipe, women's hosiery, bathroom fixtures, and fertilizers. All are plagued with the curse of irregular demand, irregular production, and irregular employment for their laborers.

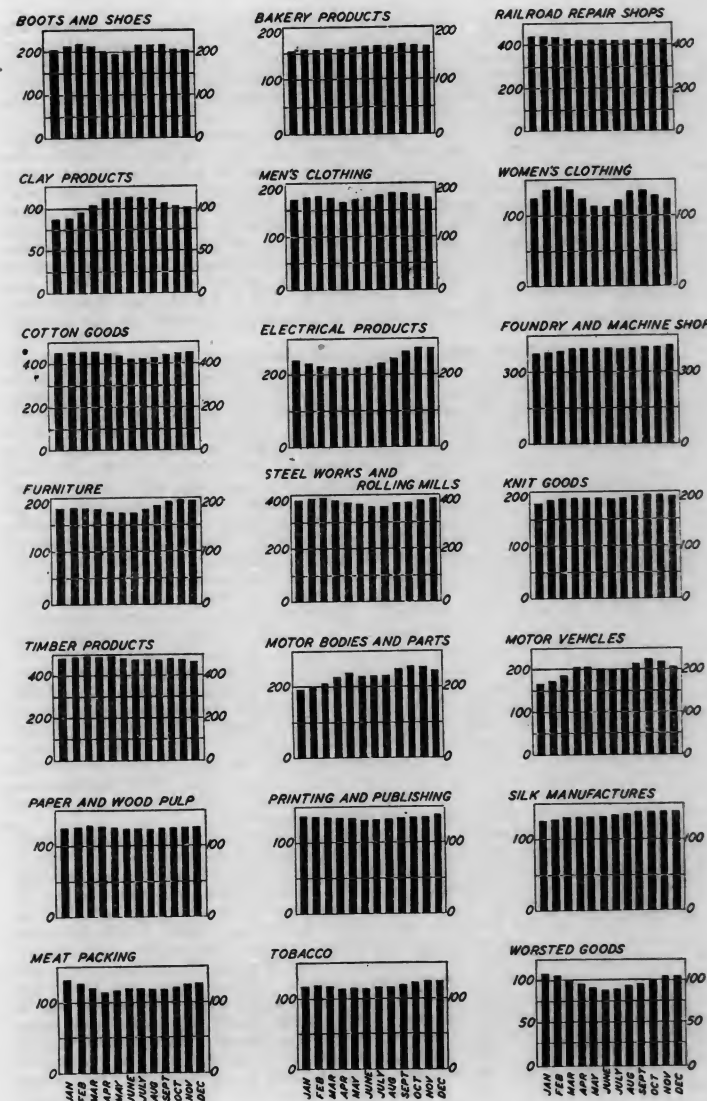
A picture of the unemployment condition in some of the more important industries in the year 1925<sup>1</sup> shows a most irregular course, deflected first one way and then another by the exigencies of seasonal demand. Below are presented in tabular and graphic form the fluctuations in the number of wage earners employed in the larger industries from month to month in that year.

<sup>1</sup> The year 1925 has been selected for two reasons. First, it is the latest year for which we have census data on employment, and, secondly, because 1925 was a fairly good year industrially.

Wage earners, by months, for the United States, for individual industries, 1925

Industry	Number employed on 15th day of month or the nearest representative day											
	January	February	March	April	May	June	July	August	September	October	November	December
Boots and shoes, other than rubber	202,793	211,439	216,403	209,907	200,734	191,822	200,349	213,282	216,565	216,320	204,195	199,992
Bread and other bakery products	156,359	156,968	156,869	156,888	158,381	162,185	162,176	161,040	163,862	165,847	163,224	161,403
Car and general construction and repairs, steam-railroad repair shops	438,141	438,308	434,680	427,036	419,800	420,597	420,062	416,961	417,119	421,124	422,527	425,441
Chemical products, other than pottery, and nonclay refractories	86,983	87,992	94,829	104,096	110,019	112,132	112,636	111,854	109,868	105,989	100,437	97,569
Clothing, men's, not elsewhere classified	169,554	174,807	177,014	172,450	165,319	172,546	173,338	171,849	168,363	165,718	162,718	173,148
Clothing, women's, not elsewhere classified	124,444	135,132	140,694	134,931	121,702	112,771	110,795	121,164	132,364	133,719	127,046	113,026
Cotton goods	463,261	455,290	457,068	454,330	448,106	439,520	426,422	426,015	426,767	444,511	453,059	457,860
Electrical machinery, apparatus, and supplies	241,194	232,805	226,724	222,257	220,369	218,717	224,454	233,902	248,069	265,006	273,418	272,136
Furniture and machine-shop products, not elsewhere classified	376,830	384,145	390,803	395,934	398,400	399,698	400,242	399,650	401,675	406,280	407,435	412,947
Furniture	178,307	179,695	180,369	187,107	188,326	191,371	191,003	190,495	192,408	191,003	194,599	193,281
Iron and steel: Steel works and rolling mills	380,433	382,285	385,354	374,872	366,824	369,397	374,033	385,753	389,687	392,748	398,439	380,554
Knit goods	176,892	182,260	185,296	186,059	186,974	186,554	183,775	185,733	189,087	198,748	198,439	198,554
Lumber and timber products, not elsewhere classified	476,002	482,894	485,915	482,968	483,630	474,952	464,332	468,237	471,247	473,892	466,591	457,570
Motor-vehicle bodies and motor-vehicle parts	190,532	196,151	208,660	224,970	235,470	226,991	227,727	230,718	246,847	256,117	253,688	242,605
Motor-vehicles, not including motor cycles	167,088	170,084	184,932	200,398	202,966	198,924	199,092	197,807	211,436	220,384	215,162	204,444
Paper and wood pulp	134,870	134,694	134,024	135,316	132,970	122,252	122,424	122,093	124,424	124,231	124,762	124,810
Printing and publishing, book and job	124,870	124,694	124,024	125,316	122,970	122,252	122,424	122,093	124,424	124,231	124,762	124,810
Silk manufactures	123,682	123,709	124,107	129,551	130,591	130,466	132,589	131,443	132,477	133,642	135,008	136,847
Slaughtering and meat packing, wholesale	131,970	125,822	119,033	113,163	114,710	118,053	118,835	115,457	117,631	111,668	123,688	125,406
Tobacco: Cigars and cigarettes	116,675	117,551	116,515	112,360	113,648	113,117	114,478	98,780	117,877	121,463	123,609	122,374
Worsted goods	107,574	105,849	100,702	95,719	96,977	88,284	89,439	93,780	96,007	100,247	104,967	104,445

Data from U. S. Department of Commerce, Biennial Census of Manufactures, 1925, pp. 1208-1219.

NUMBER OF WAGE EARNERS EMPLOYED, BY INDUSTRIES, 1925  
(IN THOUSANDS)

It was generally held by those who appeared before your committee that seasonal unemployment can be in large part eliminated if conscientiously attacked by American business. Witness after witness emphasized the fact that once American business men developed the will to attack the problem of seasonal fluctuations much of the irregularity of employment could be eliminated.

The president of one of our large railroad systems, who has successfully regularized the employment of his labor forces, stated that "stabilization can be attained more by a state of mind than almost anything else that I can think of." Others reiterated the fact that the imperative thing was to create a state of mind among business men so that "it becomes the fashionable thing to introduce stabilization in their plants."

Where the "will to regularize" has prevailed, fluctuations in employment have been cut to a minimum. Ingenious methods have been devised to keep labor regularly employed, and even in the most seasonal of industries it has been found possible to keep workers fairly steadily employed throughout the year.

One large organization employing over 3,000 workers, which had formerly to concentrate its production within seven months of the year, found, after exerting the proper effort, that it was possible to secure orders for its goods sufficiently far in advance to make possible the employment of its labor force for almost 50 weeks each year. This firm, by giving special discounts and even special low prices for orders placed 3, 4, and 5 months in advance, had no difficulty in overcoming the hesitancy of merchants toward placing advance orders.

Other firms have found that by producing staples for stock it was possible to employ labor during those months when normally there would be little to do. One large packing firm in Brooklyn, N. Y., which sells most of its product between the months of September and January, had found through past experience that during the last four months of the year it was necessary to increase the average working force of the first eight months by over 600 per cent. This firm, which employed an average of 200 people between January and September, used to employ from thirteen to fourteen hundred people during the months September to January. It was thought that this situation could not be overcome because of the fact that their product was highly perishable. An experiment with so simple a device as a cold-storage warehouse showed that their product could be produced and packed regularly throughout the year and delivered as the market required during the late fall and winter months. As a result of this discovery this firm now employs some 800 people regularly throughout the 12 months of the year. Moreover, they have found it possible to produce a product of higher quality, to furnish continuous work to their employees, and develop a better morale in every branch of their business.

Some organizations, in order to furnish regular employment to their laborers, have developed side lines which dovetail with their regular products. Thus, for example, one manufacturer of shovels, whose market demands shipments during the summer, has taken on the production of sleds, which are sold in the winter. One of our largest manufacturers of ink and glue, unable to keep labor employed during the winter months because weather conditions made it impossible to ship these products because of freezing while being transported, recently took on the production of pens and pencils, which could be moved during those months when their main products could not.

A large canner of vegetables has found it possible to keep his forces regularly employed by developing such side lines as macaroni, chop suey, and other products which could be made all the year round in contrast to most concerns who operate only during the vegetable harvest season. Instances were cited of firms which trained their workers for supplemental jobs so that when work in one division of the factory was slack employees could be transferred to other divisions. Some organizations have what are known as flying squadrons which are shifted from one department to another as the demand for labor varies. Many firms have reserved repair work, clean-up work, and extension work for periods of seasonal slack and in that way laborers who would otherwise be unemployed are kept steadily at work from month to month. One large automobile manufacturer has taken up the production of airplane motors as a means of filling in slack periods when the automobile demand is low. Some of the railroads have found it possible to shift their track workers from north to south and vice versa with the changing seasons and thus give them steady employment throughout the year.

One large steel manufacturer testified that with a diversity of products and a number of scattered plants, it is possible to shift orders from one plant to another as the demand for the different products varies. In this way employment is regularized and the tendency to operate some plants with maximum forces and overtime work while others are running part time or entirely shut down is eliminated. Some organizations, too, have set aside certain weeks in the year as vacation periods, these weeks being the ones in which the demand for their products would normally be very small.

The determination to keep labor regularly employed has led to the discovery that many things can be done during what were considered necessary slack periods which had never before been attempted. Thus, for example, it had always been the policy of the railroads to lay their rails only in the summer months. The determination of some of our railroad systems to keep their trackmen steadily employed led them to experiment with laying rails in winter. They found that rails could be more cheaply and efficiently laid in the winter than in the summer months and as a result these systems are doing most of their rail-laying work in winter and using the same forces for replacing ties, ditching, and clearing the right of way in the summer. The railroads found also that by budgeting their equipment repairs it was possible to keep most of the men in the mechanical department steadily employed throughout the year. Statistics presented to your committee by two large railroad systems showed that the labor turnover in this line of work, which formerly averaged more than 25 per cent, has been reduced to less than 10 per cent.

Even in the building trades, where it has always been assumed that construction must be concentrated in the summer months, it has been found possible to eliminate seasonal variations in part.

Testimony furnished to your committee shows that where efforts have been made to secure winter contracts through advertising and salesmanship, it has been found possible economically to construct buildings in the winter months. The advantages of winter construction are that the owner of an industrial plant may start production in March or April, compared with September or October, where building is restricted to the summer months. Moreover, the profits on production during the five or six advanced months frequently offsets the extra cost of cold-weather building.

In many cases it has been found that cold-weather building expenditures are negligible, or even a minus quantity. Winter construction usually makes possible the advantageous purchase of building materials and furnishes an opportunity to select the highest grade of mechanics and carpenters at times when many are seeking employment. It has been found also that building costs can be further cut, if construction takes place in the winter months, because owners of equipment, such as trucks, steam shovels, etc., and contractors who furnish plastering and painting, being anxious to procure work, are apt to cut their profits to a minimum during this period.

Winter construction requires temporary heat and inclosures. It requires also careful planning so that interior work may be reserved for the days when it is impossible to do outside work. Contracting firms who have sought winter construction contracts have found it possible easily to meet the requirements of changing weather conditions. As a result, some of them have had enough work to keep their home office organizations intact during the winter months, and some have been able to keep their field forces up to a large fraction of their normal summer organizations.

It was the testimony of persons in the construction industry that the public can be educated to the feasibility and economy of winter building, and the consequent elimination of the long periods of unemployment, which have for so many years plagued the workers in the building trades.

The significant thing about the regularization of employment and the elimination of seasonal variations is the fact that wherever it has been tried it has been found highly profitable. Without exception every business executive who testified before your committee stated that regularization of employment had brought with it decreasing costs per unit of output. Though no definite data was secured showing just how large were the savings derived from the stabilization of employment, the fact was nevertheless emphasized that benefits accruing to organizations which had undertaken such a program have been considerable.

A concerted attack by American industry upon the problem of seasonal unemployment would, in the opinion of one large employer of labor who has

for 10 years successfully coped with the problem of regularization, result in the elimination of at least one-half of the unemployment which continually prevails in the United States. Only a few organizations in this country have thus far had the vision and courage to undertake the task. Less than 100 of the many thousand firms in the United States have developed any definite stabilization policy. Here is a field which must be cultivated by American business. It is not only a humanitarian problem. It should be approached, also, from the point of view of business efficiency and lowered production costs. Regularization has been found to be a profitable venture by those who have tried it. The American business executive must be made to realize the advantages which will accrue to him from such a program.

### III. TRANSITIONAL UNEMPLOYMENT

During the past year or two much has been said in the press and in public discussion about the great amount of unemployment that has resulted from technological changes in industry. Machinery and discovery are every day displacing men whose lives have been spent in developing the skill and ability necessary to their crafts. Efficiency methods which aim at eliminating wasteful and unnecessary processes are daily eliminating workers from industry. At the same time the amalgamations and mergers which have recently been going on at a pace faster than ever before in history have resulted in closing down factories and in moving plants and warehouses from one part of the country to another. The declining market for certain products, resulting from the changing habits of consumers, have also led to the shutting down of plants. Bankruptcy also is taking its annual toll of employers of labor, a tendency which we must assume will go on forever in a Nation which attempts to give full play to individual initiative and relies upon free competition to regulate its economic activity.

All of those forces make for unemployment. In good times and bad times they are relentlessly at work. Under the accepted competitive theory it is assumed that they eventually lead to greater efficiency, lower production costs, and lower prices to the consumer. They are part and parcel of progress.

The question arises, however, as to whether the laborers who are thrown out of work as a result of these movements in our economic life should be made to pay the price of such progress. Is it just that society should benefit at the expense and suffering of the dispossessed worker?

Instances were cited to your committee of cases in the steel industry where—  
"Seven men now do the work which formerly required 60 to perform in casting pig iron; 2 men now do the work which formerly required 128 to perform in loading pig iron; 1 man replaces 42 in operating open-hearth furnaces.

"In machine and railway repair shops 1 man replaces 25 skilled machinists with a gang of 5 or 10 semiautomatic machines; 4 men can now do in 3 to 7 hours what it formerly took 8 men 3 weeks to perform in repair work on locomotives, due to the oxyacetylene torch. Fifteen years ago it took 15 to 30 hours to turn one pair of locomotive tires; now it takes 8 hours to turn 6 pairs with same number of men by use of modern processes.

"A brick-making machine in Chicago makes 40,000 bricks per hour. It formerly took one man 8 hours to make 450.

"The most up-to-date automatic bottle-making machine makes in 1 hour what it would take more than 41 workers to make by hand in the manufacture of 4-ounce oval prescription bottles. In 25 and 40 watt electric bulbs the man-hour output of the automatic machine is more than thirty-one times that of the hand process.

"In New York from 1914 to 1925 the number of workers in the paper-box industry decreased 32 per cent, while the output per wage earner increased 121 per cent."

Thousands of skilled musicians with a life's training behind them are being thrown out of employment by the advent of the talking movie. In the field of news transportation the Simplex and the Multiplex machines have eliminated the need for trained telegraphers and to-day by the mere process of typing a message at the sending office, the message is automatically printed at the receiving office. Many thousands of trained telegraphers have been made unnecessary during the past few years as a result of this new device. In the printing trades new inventions in typesetting threaten to make possible the setting of type in innumerable offices scattered as many as 500 miles away by the manipulation of keys in a central plant.

All of these developments ultimately lead to cheaper goods for the consumer. Eventually too, they may stimulate the demand for goods sufficiently to make once more necessary the services of the workers they immediately displace. But in the meantime the dispossessed laborer has to bear the burden of these changes through loss of employment, lack of income and lower standards of living.

To the contention that the "newer" industries such as the manufacture and distribution of artificial silk, radios, automobiles, oil products, motor accessories and other "new" products, are absorbing the jobless workers it must be answered that the process is a slow and painfully prolonged one.

An investigation recently made by the Institute of Economics of the Brookings Institution reveals that most of the displaced workers have great difficulty in finding new lines of employment once they are discharged. A survey of some 800 workers in three industrial centers revealed that the newer industries are not absorbing the jobless as fast as is usually believed.

Almost one-half of the workers who were known to have been discharged by certain firms because of curtailment in employment during the year preceding were still without jobs when interviewed by Institute of Economics investigators. Of those still unemployed over 8 per cent had been out of work for a year, and about one-half had been idle for more than three months. Among those who had succeeded in finding work, some had had to search for jobs for over a year before finally being placed. More than one-half of those who had found jobs had been in enforced idleness for more than three months before finding employment. Only 10 per cent had been successful in finding new jobs within a month after discharge.

The new jobs, moreover, were usually secured at a sacrifice in earnings. Some workers, to be sure, were fortunate enough to find employment which paid higher wages, as was made evident by the fact that about one-fifth of them were making more money on their new jobs than before discharge. Forty-eight per cent, however, were receiving lower wages and about one-third were earning just about the same amount as they formerly did.

And what kind of jobs did these men finally secure? Trained clothing cutters with years of experience had become gasoline station attendants, watchmen in warehouses, timekeepers in steel plants, and clerks in meat markets. Rotary press operators were pressing clothes in tailor shops. Machinists were selling hosiery for mail-order houses. Welding machine operators had become farm hands, and skilled woodworkers were mixing salves for patent-medicine manufacturers. A significant number of men admitted frankly that after some months of enforced loafing they had taken to bootlegging.

It is evident that a large number of the workers now being displaced from industry are being forced into unskilled trades at a sacrifice in earnings and a consequent lowering of their standards of living. At the same time they are being made to bear the burden of unemployment, for which they are in no way responsible and over which they have no control.

It was the opinion of those who testified before your committee that it is the duty of the State to provide the machinery for easing the burden of the transitional unemployment which prevails. Society should do everything in its power to bring the jobless worker into touch with available employment. Means should be made available which will cut down the unemployment period to a minimum. For this purpose an efficiently organized and administered employment exchange system and some form of unemployment insurance is urgently required.

### IV. MACHINERY FOR ALLEVIATING UNEMPLOYMENT

#### (a) Employment exchanges

With the exception of the short period during which we were engaged in the World War, the United States has never had a coordinated system of employment exchanges. The United States Employment Service, which was hastily thrown together in 1918, was organized primarily to help those industries which had been crippled by the loss of man power, rather than to help workers secure jobs. In spite of its weaknesses, however, the Federal Employment Service rendered great aid to industry and was of help in bringing workers and jobs together. A country-wide organization was established in a very short period of time and, within nine months, more than 800 offices were functioning.

In order that employers, as well as employees, and the public might be educated to the value and necessity of labor exchanges, State advisory boards and community labor boards were established throughout the country to act in

an advisory capacity to State directors and local exchanges. Employers and workers were equally represented on these advisory boards. It was contemplated that questions of policy should be determined in conjunction with these committees and that through their activities the cooperation of both labor and employers could be more readily secured. Unfortunately there was little opportunity to test the value of this joint administration.

The United States Employment Service was regarded as strictly a war measure which should be promptly scrapped after the emergency was passed. Therefore, early in 1919, funds for the United States Employment Service were curtailed. This necessitated a drastic reduction in offices supported by Federal aid. By October, 1919, the purely Federal offices were discontinued. Since then the service has functioned primarily as a means to coordinate the activities of State and municipal offices and, whenever possible, to encourage the extension of these services.

In no true sense is there a national employment service in the United States to-day. The nine district offices into which the United States is now divided collect information about employment and industrial conditions which is published monthly in the Industrial Employment Information Bulletin. This information, however, is of a narrative type and confines itself to general statements as to conditions. No quantitative data are published regularly except the monthly reports of the placement work of the employment bureaus cooperating with the United States Employment Service.

No accurate evaluation of the United States Employment Service as an industrial or social institution operating on a national scale can be made from the war experience. It was created, flourished and declined during the period from January 3, 1918, to October 1919. As was frequently pointed out during the discussions over its continuation, the service had been a military not an industrial proposition.

Establishment of public employment exchanges has been for two decades included in every comprehensive program for alleviating unemployment. As far back as 1916, one employment authority expressed the opinion that "we need no more investigation commissions to tell us that the first step in any program dealing with unemployment must be to organize a national system of labor exchanges."

That preliminary step has not yet been taken. In 1921 the President's conference on unemployment again recommended the formation of a national system of employment bureaus. Later this recommendation was endorsed by the committee which prepared for Mr. Hoover a special report on business cycles and unemployment. The conclusion of the committee, after a consideration of possible types of employment service was that "the greatest promise seems to be in the development and raising to a high standard of efficiency of a national system of employment bureaus."

Due to a better understanding of our industrial problems, the place of employment offices in preventive or remedial programs for unemployment has been more correctly defined. Their limitations as well as usefulness have been recognized. No advocate of public employment offices, however enthusiastic, expects that new jobs will be created in the face of general depression, nor that technological changes will be delayed, or seasonal layoffs prevented through their efforts. Neither is it expected that employers' requisitions for labor will be filled immediately in times of labor shortages. Employment technique may anticipate and prepare for industrial changes but can not determine them.

No longer are public employment offices regarded as political pastures nor as dispensers of respectable relief in the form of jobs to unemployables. Neither are they to be regarded exclusively as high-grade placement bureaus in competition with private agencies.

It is generally felt, however, that a national service would make a significant contribution to the solution of unemployment. An industrial service organized on a national scale, which provides comprehensive, timely knowledge of the industrial situation both local and national, and in addition facilitates contacts between the unemployed and the opportunities for work, is gradually becoming the accepted idea of employment exchanges.

By the title, a national system of employment exchanges, the essential elements of the mechanism required are suggested. A public service furnished impartially to both employers and employees, without charge to either, is the basic idea. It must be national in scope, a coordinated service which will organize our entire labor market which is national, not local, in area. No such system exists at present although employment offices by the thousands operate in the United States. Working arrangements by which information is ex-

changed or labor shifted in response to changing requirements are lacking. Several States have established systems of public employment offices, but even if adequate intrastate facilities were provided there would be no organized labor market; for States are political, not economic, divisions. A correlating mechanism, which will organize our labor market throughout the country, and a further development of local employment offices are the major considerations.

A mechanism, national in scope, which will organize our labor market effectively, demands administrative technique of the highest order. However, to assume that the set-up of adequate machinery and the administrative problems which are presented are not insuperable obstacles is not to beg the question either of the feasibility or desirability of public employment offices. Canada, with a federal government similar to ours, established a national employment service in 1918. Each province maintains its own system of offices with an intra-provincial clearing system, while the dominion government contributes to the local service, coordinates the activities of the provincial offices and provides a national clearing system for the transfer of labor between provinces and for the exchange of information.

Great Britain has operated a national system of labor exchanges since 1909. Here, the problem of dual authority of state and federal governments does not arise, nor is there a comparable area to be organized. However, both the experience of Great Britain and Canada has tested the workability of employment machinery on a national scale. In addition, the success of certain of our State systems justifies the confidence in our ability to resolve the administrative difficulties.

The disorganized conditions existing in our labor market were emphasized before your committee by several witnesses. Orderly marketing, a familiar enough term in commodity market, has not been applied to the distribution of labor. Recurring surpluses and shortages characterize our labor market, as they do our commodity markets. As yet, no machinery has been developed to adjust these irregularities. A surplus may exist in one locality, or even in one factory, while men are needed in a similar capacity nearby. Gradually, industrial plants have centralized their hiring and discharging in one department to effect economies and stabilize their labor forces. This principle is yet to be applied within our labor market as a whole.

It is this organization of the labor market throughout the country that is a primary function of public employment exchanges. The expression "the labor market," in this connection refers not to the particular places where labor contacts are made but rather to "the supply of, demand for, or types of labor present or sought in the several areas." In this sense we have our local, State, regional, and national markets. In the final analysis, however, our labor market follows national boundaries and includes our total working population. This does not mean that we are divorced from an international labor market, but only that the international aspects can not be discussed here.

In this capacity of correlating the requirements of the two parties in our labor market, those of employers and those of workers, the public employment offices must function in two different capacities. First, they must serve as information centers, or intelligence bureaus, through which complete data on employment and the industrial situation are secured. Second, they must act as effective placement bureaus utilizing the information which they have acquired to reduce time lost between jobs.

No provision has been made as yet for this necessary data on the numbers out of work. There is no authoritative answer to such questions as: How many are unemployed at any particular time? Where are they? What is the composition of the group as regards age, sex, occupations, and industries represented, etc.? No completely satisfactory answer to these questions can be gained, except through a system of registration of those who are without work and looking for jobs. Compulsory registration, in connection with the administration of unemployment insurance, gives a reliable measure of the numbers unemployed at a given time and indicates where unemployment is most prevalent. Classification of these data by occupations, by industries, as well as by sex and geographical areas provides the basis for further action in providing jobs.

Voluntary registration, while furnishing less reliable results, serves the same purpose and is more in harmony with American traditions. To the extent that the unemployed make use of organized services to secure jobs, employment exchanges furnish the machinery for registering those out of work. Obviously,

the completeness of the data and, consequently, its potential value will depend upon the extent to which an adequate employment service is utilized.

Labor requirements of employers may be and normally will be recorded with the agency best equipped to furnish the requisite labor. Public employment offices which pool the knowledge of available labor and develop the technique of placement and clearance so that employers' needs are promptly met may be expected to become the central machinery through which our labor market is organized. To be sure, the establishment of employment offices carries with it no pressure by which employers are required to record their needs with local offices. However, the provision of facilities for contact with available labor, the presence of a staff competent to direct this labor into the proper channels and to compile and analyze pertinent data concerning the labor situation, and the educational propaganda as to the value of the service to employers justify the expectation of increasing cooperation on the part of employers.

Management, while recognizing the limitations of public employment exchanges, readily grants the need of such an agency: "It is now urged as essential to the efficient operation of industry rather than as a means for relieving the misery of the unemployed; it is as necessary in the labor field as traffic control is in city life." As this attitude tends to prevail employers will make increasing demands upon the public service and thus widen its opportunities for placing applicants.

Evidence made available to your committee revealed the fact that every important civilized nation has a national system of employment exchanges. Indeed, the establishment of a system of free public employment agencies was made incumbent upon those countries which were parties to the labor treaty drafted at the Washington International Labor Conference in 1919. Twenty-three countries at the present time have adhered to this requirement by ratifying the draft treaty, and together they have now in operation close to 5,000 national employment offices.

During recent years it has been the accepted policy in the United States to have employment exchanges run by the individual States and municipalities. Such appropriations as have been made by the Federal Government—\$200,000 in the last fiscal year—have been mainly expended in subsidizing State offices. The farm labor division of the Federal Employment Service, with temporary offices at strategic points in the Grain Belt during the harvest season, is the only instrument which approaches a nationally organized employment service. Beyond that there are 170 State and municipal public employment offices in the country. These offices vary in number from 1 in each of 11 States to 17 in the State of Illinois. Thirteen States have no public employment offices whatever. State appropriations for these offices vary from \$900 in Wyoming to \$231,360 in Illinois. The total appropriations of all the State governments aggregate \$1,203,006.

*Available funds for the 170 offices in the 35 States and the District of Columbia, from all sources and numbers of offices maintained the last fiscal year<sup>1</sup>*

States	Number of offices	Cash available <sup>2</sup>	States	Number of offices	Cash available <sup>2</sup>
Arizona.....	1	\$4,960	Missouri.....	4	\$32,640
Arkansas.....	4	5,880	Nevada.....	1	3,070
California.....	12	85,894	New Hampshire.....	2	4,760
Connecticut.....	7	51,020	New Jersey.....	6	83,490
Delaware.....	1	14,615	New York.....	11	195,502
District of Columbia.....	1	2,100	North Carolina.....	6	21,600
Georgia.....	17	231,360	Ohio.....	11	145,606
Illinois.....	5	21,200	Oklahoma.....	4	9,780
Indiana.....	3	6,600	Oregon.....	5	13,405
Iowa.....	5	15,240	Pennsylvania.....	14	81,360
Kansas.....	1	1,560	Rhode Island.....	1	4,900
Kentucky.....	3	1,140	South Dakota.....	3	1,280
Louisiana.....	1	1,420	Tennessee.....	1	1,560
Maine.....	1	4,100	Texas.....	1	1,238
Maryland.....	4	68,810	Vermont.....	5	11,720
Massachusetts.....	11	35,397	Virginia.....	1	1,640
Michigan.....	6	43,127	West Virginia.....	10	67,960
Minnesota.....			Wisconsin.....	1	900
			Wyoming.....		

<sup>1</sup> "Financing the Public Employment Service," American Labor Legislation Review, December, 1928.

<sup>2</sup> Includes cash allotted from the Federal Government to various States.

<sup>3</sup> Maintained by the city of Wilmington, the Federal Employment Service, and various civic organizations.

It should be self-evident that a country as large as this, with a wage-earning population numbering over 30,000,000, can not be effectively served by 170 public employment offices. There are, to be sure, several thousand private employment offices in the country, but it is the consensus of the best informed opinion that these are open to grave abuse. Private agencies have been known deliberately to send unfit men to certain jobs in the knowledge that the workers would not be kept on, thus making it possible in a short while to secure a second fee from the individuals placed. One Pennsylvania licensed agent was recently reported to have made an arrangement by which a foreman in a factory was paid \$5 for every employee taken on through this agent and \$2 for every man discharged. The men were kept on the job a week, they were paid every Friday, and the expectation was that they would return to the agent for a new job the following Monday. This foreman made a commission of \$7 on every laborer passing through his shop in this way. Other cases can be cited where fees have been split with foremen who purposely discharged men and took on others. Time and again men have been known to have been shipped to jobs which did not even exist.

Nor is it possible to control the fees charged by the employment agencies. Legislation for this purpose, passed by various States, has recently been declared unconstitutional. To-day there is very little control which can be exerted by State governments over the private employment agencies in their jurisdiction.

The present Federal employment service is in need of thorough reorganization and considerable expansion. An efficiently organized and well-coordinated employment service would go far to accelerate the absorption of workers thrown out of employment by changes in industry.

If the employment service is to continue to remain a function of the individual States, it should be expanded and brought up to a higher standard than now prevails. Through Federal aid and Federal cooperation it should be coordinated in such a way as to make possible the transference of workers from one locality to another with a minimum of friction. To make this possible, it is essential that there be at the head of the Federal service a trained and experienced director, who has the confidence of both employers and employees. For such a person there must be available a salary which is adequate to attract the most efficient talent.

There should be organized by the Federal Government a series of district clearing houses, which will coordinate the activities of the State offices in various sections of the country in a manner similar to the present organization of the Federal reserve districts. The present system of granting varying amounts by the Federal Government to one State or another should be abolished, and the grant made to each State should bear a definite relation to the amount which that State appropriates for its employment service. The prerequisite for the receipt of Federal aid should be that a State shall meet certain definite requirements and standards as promulgated by the Federal director. These should concern themselves with the type and training of the staff employed, the maintenance of certain statistical records, cooperation with the Federal clearing offices, and the office facilities provided.

If an employment service is efficiently to perform its designated functions, it must command the confidence of those whom it is organized to serve. In the past many employers have been unwilling to avail themselves of the services of public employment exchanges and have preferred to use other means for securing their labor supply. Likewise, many employees have hesitated to use the existing public exchanges because of the fact that they had knowingly sent workers to plants involved in labor disputes. To secure the confidence and good-will of both employers and workers, it is suggested that there be created a Federal advisory committee made up of equal numbers of representatives nominated by employers and by workers to cooperate with the Federal employment director in the formulation of administrative policies. Similar representative bodies for each State, and even for each municipality which has a State employment office, should be one of the requirements in every State which secures Federal aid.

To insure continuity of service and to remove the Federal employment service from the realm of political preferment it is suggested also that every member of the service be placed under civil-service regulations. It is advisable also that all executive heads should be selected only after an oral examination conducted by the advisory committees mentioned above. Under such a system there will be an assurance that the person selected will have not only the requisite experience and training but also those personal qualities which fre-

quently make for failure or success in administering employment work. The individual States, furthermore, should be urged to place within the civil service such employees as they have in their employment exchanges. This, too, may be made a prerequisite to Federal aid.

(b) *Adequate statistics of unemployment*

Recent discussions of the unemployment problem have brought into the limelight more sharply than ever before the fact that we know very little as to the extent of unemployment in the United States. Everybody who has looked into the problem has his own pet estimate. The figures run from about 1,500,000 in some estimates to 8,000,000 in others.

In spite of the importance of regular employment to the national welfare, in spite of the effects of unemployment on our citizenship, and upon our industrial welfare, there exists no national or State machinery for collecting facts concerning this problem. In the words of the committee on elimination of waste in industry of the Federated American Engineering Societies, "the amount of idleness or unemployment in industry can only be evaluated through rough estimates." President Harding's unemployment conference in 1921, a conference made up of all of the leading industrial leaders of the Nation was unable, in spite of all of the combined facilities of those present, even approximately to measure the number of unemployed. Estimates ran from four to seven millions. It is said that the figure actually determined upon by this conference was nothing but a conglomerate of the prevailing guesses and that the final figure agreed upon was the result of a majority vote of those present.

In the early part of 1923, when unemployment was being widely discussed, the Maryland State Federation of Labor made public the fact that according to its estimates there were 75,000 persons out of work in Baltimore. In reply to this statement the Baltimore Association of Commerce announced an estimate of its own, which placed the maximum unemployed at 33,000. A census made in the same month by the Maryland Commissioner of Labor and Statistics placed the number at 15,473. The tremendous difference between these three estimates gives an excellent picture of the state of our unemployment figures. Behind each of them was a judgment which apparently had some basis in fact and against all three of them criticism has been leveled.

The situation in the United States as to the state of our unemployment statistics has recently been well described by a British journalist: "In no country is the art of the statistician so highly developed. He teems in the banks, the universities, the innumerable academic or social foundations. He will tell you to the last decimal point how many yards or tons of every conceivable commodity the factories have produced, the railroads have carried, and the public has bought. But he does not know the number of unemployed."

It should be clear from the above that there are no scientifically acceptable statistics of unemployment in the United States to-day. Several attempts at their collection have in the past been made by the Bureau of the Census, but these were made prior to the World War. The census of 1890, 1900, and 1910 included figures on the number of people who had no jobs on the corresponding census dates. The figures for the latter year were never published, the reason given to those who pressed for their publication being that the late date of their tabulation made them valueless. It was stated, moreover, that the enumerators had failed to distinguish between those who were actually unemployed and those who, like school teachers, were not working at the specific time, but, nevertheless, were not in fact out of a job. The shortage of funds as well as the pressure of work which came with the declaration of war were also given as reasons for not publishing the unemployment figures.

The most comprehensive collection of data concerning the status of employment in the United States is collected and published by the Bureau of Labor Statistics of the United States Department of Labor. These figures are not, however, figures of unemployment. They are figures which show the extent of employment. The distinction between these two types of data should be clearly borne in mind. Unemployment statistics cover those who do not have jobs. The figures published by the Bureau of Labor Statistics and by the departments of labor of the few States which have done anything along this line show the number of people who have jobs. To be sure, figures on employment are both necessary and valuable. If they comprise a sufficiently large and representative sample of the working population their continuous collection will throw considerable light upon the number of persons employed in

industry and will show which industries are growing and which are contracting. But the fact that they show, for example, that employment is contracting does not necessarily mean that unemployment is increasing. Nor does the fact that they show employment is increasing necessarily mean that unemployment is decreasing.

Workers are constantly leaving industry and going into business for themselves. Some are retiring and living on their past savings, or on the income of others. Some leave industry and go to schools, colleges, and universities. Theoretically, unless our employment figures cover every branch of production and distribution it would be quite possible for employment in the major industries of the country to be declining, and at the same time have the number of unemployed grow less. On the other hand, with approximately one-third of a million immigrants entering our gates each year, with about 200,000 people coming into our cities from the farms, and with anywhere from 1,500,000 to 2,000,000 young people reaching the working age each year, a very marked growth in our employment may at the same time be accompanied by a serious increase in the number of people unemployed.

A letter submitted to the Senate under Resolution 147, on March 24, 1923, by the Secretary of Labor stated that the actual number of unemployed in January of that year was 1,874,050. This figure did not in fact show how many were unemployed in the United States. As stated to your committee by the Commissioner of Labor Statistics it was nothing more than an estimate of the shrinkage of employment between the average of the year 1925 and the month of January, 1923. As described by the commissioner, it was arrived at by taking the number of persons employed in 1925 in manufacturing and on the railroads, as reported in the census of that year, and subtracting therefrom the number of people estimated to be employed in these two branches of industry in January, 1923. The estimate for January, 1923, was based upon a sample of 2,907,700 workers in 10,772 establishments for which the Bureau of Statistics collects monthly figures. These figures show a shrinkage of 7.7 per cent for January, 1923, as compared with the average for the year 1925, and it was assumed that a corresponding shrinkage could be attributed to the remaining industries and plants in the country.

On this basis the estimated shrinkage arrived at for all manufacturing and railroad employees was 753,107. These figures, it should be noted, do not include the wage earners in agriculture, mining, trade, personal and domestic service, and clerical work whose number in 1925 approximated one and one-half times the number of workers in manufacturing industries and on the railroads. In order that the workers in these other lines of activity might be included in the estimate, therefore, it was assumed that they had "been affected in like degree," and the shrinkage of 7.7 per cent was attributed to them also. In this way a total shrinkage in American employment of 1,874,050 was arrived at.

The mere exposition of this method of computation shows its inherent weaknesses. First, is it fair to assume that because employment shrunk by a certain percentage in the plants for which the Bureau of Labor Statistics has data that all other manufacturing plants experienced the same contraction? It should be noted that the figures of the Bureau of Labor Statistics correspond almost exactly with the figures for the State of New York which cover a much larger percentage of the plants in that State than do the bureau's figures of plants for the country as a whole. It is a fact, however, that the bureau's data includes most of the larger plants in the country and that there are many small plants which have been increasing rather than decreasing their working forces. This is particularly true in the newer industries, like the manufacture of radios, household labor-saving devices, airplanes, etc. In other words, the figures of the Bureau of Labor may not even be an accurate picture of the shrinkage in the industries for which it collects regular data.

One can not categorically say whether the present employment index of the Bureau of Labor Statistics is either overoptimistic or overpessimistic. It has been criticized as being both, and without making a very complete and elaborate survey of a very large number of plants in the country one can not come to any valid conclusion.

A second self-evident weakness of the figures on employment submitted by the Bureau of Labor Statistics is that they include no first-hand data concerning trade, agriculture, mining, personal and domestic services, and clerical workers. Inasmuch as no data is available for these types of economic activity, the bureau assumed in its estimate of the shrinkage of employment in the United States that employment in these fields had declined in the same proportion as

employment in those industries for which data is available. The fact, however, is that in many of those industries for which no data is available the number of employees has been increasing rather than decreasing. New activities, such as gasoline filling stations, garages, beauty parlors, hotels, restaurants, and cafeterias, have been expanding quite regularly during the past five years. To assume that employment in these industries has been shrinking because such was the case in the manufacturing industries requires a very large stretch of the imagination.

Finally, the figures of the Bureau of Labor Statistics throw little light upon the extent of unemployment in the United States because they are based upon the assumption that the year 1925 was a year of no unemployment. Unless we know how many were unemployed in 1925, and there is no doubt that there was a large number of people without work in that year, no figures of shrinkage of employment since that year can throw any real light upon just what the situation was in January, 1928.

What has been said in the preceding paragraphs are net meant in the way of criticism of the data of the Bureau of Labor Statistics. The bureau has insisted time and again that its figures merely show the shrinkage of employment in manufacturing industries and that the estimate which it made in April, 1928, was nothing more than an estimate developed with the only tools which were available to it. The Commissioner of Labor Statistics has stated that his conclusions are nothing more than a guess and that it was the best guess possible with the machinery and data at hand. Since the spring of 1923 the Bureau of Labor Statistics has attempted to expand its field of investigation and to secure employment data for a number of industries which have not in the past been included in its index. The bureau has expanded its field to the extent that it now collects employment data for the bituminous and anthracite coal industries, metal mining, and wholesale and retail trade. It is the hope of the bureau to secure data on building trades, hotels, and restaurants, and eventually upon every important phase of economic activity in the United States. If the bureau's budget makes this possible, we may in the future have a pretty accurate picture of what is taking place from month to month along employment lines in American industry.

Other estimates of the number of the unemployed were made by private agencies in 1928. One which attracted considerable comment, and was frequently quoted, was made public by the Labor Bureau (Inc.), in February. This estimate was arrived at by assuming that there were, in 1923, 1,000,000 unemployed workers in the United States. To this figure were added the increase in the supply of employable persons through population growth, which was placed at 3,000,000. It was estimated, also, that there was an increase of 1,000,000 urban workers resulting from the migration from farms to cities. These three items gave a net increase in the number of people available for employment in 1927 of 5,000,000. To these 5,000,000 was added the number of people who were thrown out of employment from 1923 to 1927. The total of these, which was made up of 1,000,000 workers discharged from manufacturing industries, 100,000 discharged from the railroads, and 100,000 dismissed from the coal-mining industry, gave 1,200,000 people to be added to the 5,000,000 mentioned above. From this increase of 6,200,000 people who were available for new employment was deducted the estimated possible increase in the number of people employed in other lines of activity. These were estimated at 2,100,000. This figure was made up of the following:

Estimated possible increases of employment in certain lines— 2,100,000

Professions.....	200,000
Amusements.....	100,000
Public utilities.....	200,000
Automobile sales and service.....	700,000
Other distribution.....	500,000
Building.....	300,000
Miscellaneous.....	100,000

Deducting the 2,100,000 increase in employment in the industries which enlarged their employment rolls from the 6,200,000 workers available for new employment, the Labor Bureau came to the conclusion that there were approximately 4,000,000 people unemployed in 1927. This figure of the Labor Bureau is an excellent illustration of the extent to which estimates must be made in arriving at a figure of unemployment in the United States. The only

satisfactory data included in this estimate are those for manufacturing and for railroads, and even one of these is highly conjectural. The figures for manufacturing, as was shown in preceding pages, is itself an estimate that is subject to much error. All of the remaining figures are mere guesses, and just how much error they include nobody can say.

The Brookmire Economic Service, another private organization, which acts as economic and financial adviser to the business world, undertook last year to estimate the number of unemployed for each year from 1910 to 1928. The method used was to figure out the difference between the actual employment and the probable maximum employment in each year. During this period of 18 years it was assumed that 6 years—1910, 1912, 1917, 1920, 1923, and 1926—were years of exceptionally good business conditions and of no unemployment. With this assumption the Brookmire Economic Service came to the conclusion that the maximum unemployed in the United States in any one year since 1910 was 3,653,000, in 1921. In 1927 they estimated that there were 1,466,000 people unemployed. For March, 1928, the estimate was placed at 2,632,000. The significant thing about this figure is the fact that this number, namely 2,632,000, became unemployed during the short period between the year 1926 and March, 1928. It seems improbable that so large a number of people had been thrown out of employment in this relatively limited length of time.

No students of the unemployment problem have ever assumed that there has been a period of unemployment during the past 18 years. In 1890 and 1900, in the midst of industrial prosperity, the Decennial Census showed that 50 per cent of the workers of the country were unemployed at least two months each year. Evidence is available for the bituminous-coal industry showing that in the prosperous year 1926 a considerable number of the people attached to that industry were unemployed. Indeed, one can find innumerable cases in every industry showing that the year 1926 was one of unemployment for its workers for some period of the year. If, therefore, there was in fact an increase of 2,632,000 in the number of unemployed between 1926 and 1928 the number of persons without work in the latter year must have been much larger than that given by the Brookmire Service. Just how much larger it was, it is impossible to say.

That the results obtained from the various methods of estimating unemployment approximate each other so frequently is no justification for the belief that they are in any way correct. The data used are in large part the results of guesses, and the fact that many guess alike is no basis for assuming that they have guessed correctly. One may hesitate completely to accept the assertion that "Unemployment estimates are virtually worthless as far as this country is concerned. Even where deliberate bias is not present the estimates must perforce be made up from data which are not accurate even within wide limits of error. Obviously no analysis, however conscientious, can impart to an estimate dependability which does not exist in the raw data utilized." The fact remains, however, that there is much truth in this statement. It is the opinion of one statistical expert who for many years has been working with the available data and who submitted testimony on unemployment statistics to your committee that, "Neither on the total volume of unemployment, nor on its distribution among industries, nor on its geographical distribution nor on its duration, is there any direct evidence worthy of serious consideration."

In view of the present status of unemployment data, however, one can do little other than use whatever material is available, always remembering that most of it is nothing more than vague guess, and working at all times toward the collection of something more scientific and trustworthy.

Without a census of unemployment we are destined to remain in the dark in the field of unemployment statistics. It is an interesting commentary upon American governmental procedure to find that one can secure at a moment's notice data showing the status of our wheat, oat, barley, rye, flax, hay, bean, apricot, prune, cherry, and walnut crops, as well as innumerable other agricultural products, the production of condensed milk, the cold-storage holdings of cheese and pickled pork, and yet be unable even reasonably to estimate the number of unemployed in the United States. If the American people are ever to take any action toward dealing with the unemployment problem, data more reliable than anything which has been thus far available will have to be collected. Any plan, either for the prevention or relief of unemployment, whether it be undertaken by the Government, private industry, social agencies, trade unions, or any other organized group, must be based upon fairly reliable data

which shows the extent and distribution of unemployment. European governments such as Great Britain and Germany automatically come into regular possession of fairly accurate data through their employment exchanges where all the insured unemployed must register. Since we have no means of compelling the unemployed to register in the United States our only source of information is a census.

Irrespective of all of the difficulties inherent in making and tabulating a census of unemployment it was the opinion of those who testified on this matter that none of them is sufficiently large to warrant our letting slip by the opportunity of having an unemployment census made in conjunction with the population census of 1930. All that would be required is the inclusion of two additional questions to the schedules to be printed. With such data which is usually included on the schedules the Census Bureau could, without any great expense, tabulate much information which would be both valuable and essential concerning the extent of unemployment, the ages, sex, former occupation, distribution, and a host of other important facts concerning those who have no jobs.

Granted that it will be hard to define for the average enumerator just what an unemployed person is, and granted also that by the time the census is completed and the results tabulated conditions may be radically different from those on the census date, such a census would nevertheless give us a base from which to work in approximating in some acceptable manner the trend of unemployment from month to month. It will give us, first, a good approximation of the number of unemployed on the census date. Secondly, with fairly representative data on employment for many manufacturing industries already being currently collected by various State labor bureaus and the Bureau of Labor Statistics, with monthly immigration figures available, with fairly good school and college figures, and with a growing collection of data for employment in nonmanufacturing industries, it will be possible to calculate usable figures showing the changes in the number of unemployed at stated intervals as compared with the base date on which the census is taken. The results obtained in this way will, to be sure, be approximations. They will in all probability contain a fairly large measure of error. They will, however, be far superior to any estimates which are now available, and will at least free us from the necessity of having to choose from a variety of estimates—all credible—which differ from each other by as much as two millions.

The Bureau of Labor Statistics' present policy of expanding its sources of employment data and of adding to its present data new plants and industries wherever possible should be approved and furthered. Sufficient funds should be made available for the expansion of this type of work.

Further data should also be collected which will throw light upon the extent of part-time employment in the country. Figures showing the amount of employment and unemployment do not truly reveal conditions. Very frequently plants are operated for but a few days each week and the workers on the pay roll are depicted in our statistics as being employed. Prolonged periods of part-time employment are as detrimental to the welfare of the laborer and as effective in checking general purchasing power as are shorter stretches of complete unemployment. Steps have already been taken by the Bureau of Labor Statistics toward the collection of information on part-time employment and it is highly desirable that this phase of the statistics of unemployment should be further developed.

A great deal can be done by the individual States along the lines of collecting and furnishing statistics of unemployment. A little more than a half dozen States are already collecting reliable monthly data on employment within their borders. Nothing has been done, however, toward developing unemployment data. There is now before the Legislature of the State of Massachusetts proposed legislation for the regular collection of information which will show the industries in which unemployment is concentrated, the geographical distribution of the unemployed, and other facts which are essential to understanding the causes and the means of alleviating unemployment. The State of Massachusetts should be strongly urged to enact the legislation which will make available such valuable data and other States should follow along the same lines.

#### (c) Public works

The advance planning of public works has long been accepted as the one instrument which governments can use in alleviating such unemployment as results from general business depression. The unemployment conference of 1921 emphasized the need of a Federal plan which would make possible the

curtailment of public construction wherever feasible until such times when industry as a whole is generally depressed.

The idea is not a new one. It has been advocated now for several generations, and several times during the past decade legislation providing for the establishment of such a policy has been proposed in Congress.

It should be said at the outset that a public-works program will not relieve unemployment caused by depression in any single industry. If public works had been instituted during the past three or four years, they would have had little effect upon conditions in the coal and textile industries where factors unique to these industries have brought about an appreciable decline in the demand for their products. Public works will be effective rather in periods of general industrial depression when all industry is affected.

Nor will they prevent the occurrence of future industrial depressions. The ebb and flow of economic activity is so intertwined with all of the forces of human psychology, the forces of nature and innumerable other factors, that it would be folly to suggest that any one piece of machinery could lead to the elimination of fluctuations in business. A public-works program should, however, effectively shorten the life of business depressions and at the same time check the severity of such recessions that may come in the future.

An effective program would provide for the postponement of such public construction as could be conveniently delayed from periods of great industrial activity to periods of industrial stagnation. Such delay would have two results. In the first place the Government would be removed as a competitor of private business in the market for building materials and labor during times when industry is already having difficulty in securing sufficient material to meet the demands of its consumers. The Government demand during periods of business boom frequently does little more than raise prices beyond a level which is already too high. Should public construction be delayed until periods of depression it should be possible for purchases of materials to be made at lower costs than would otherwise be possible. During recessions, when private demand is usually small, the Government could make its purchases under much more favorable conditions than would otherwise be possible. At the same time it would be able to secure its required labor at lower wage rates or at least secure the best possible type of workman at the going wage rates.

The second advantage of the postponement of public works would be that Government orders coming at the psychological moment would have a tendency to stimulate business activity at times when other orders are not available. The placing of contracts at the beginning of a depression would automatically result in a demand for iron, steel, copper, cement, brick, lumber, and the products of some 20 other allied industries. Such a demand will in turn lead to the employment of labor in these industries. Such labor as will be employed will become purchasers of other products such as food and clothing, thereby stimulating the activity of those industries which cater to the needs of our laboring population. In cumulative fashion all industry will be stimulated at a time when business contraction and unemployment are under way.

Though the expenditures of the Federal Government constitute but a fraction of the total amount spent by the country as a whole for public buildings, drainage, dams, etc., it is incumbent upon it to establish an example and set a standard of performance for the States, counties, cities, and towns to follow. It is these divisions of our Government which can do the most effective work along the lines of planning long-time public construction programs. Their expenditures constitute by far the largest portion of our public outlay. They should be urged immediately to make provision for a long-time program and create the machinery which will be in shape to function at the opportune moment. To function effectively it is essential that engineering plans be drawn up and everything pertaining to the placing of contracts be in readiness at the time when general business has started on the down grade. Unless such provision has been made in advance it may take many months after the need has arisen before the necessary work can be started. One of the witnesses who testified before your committee pointed to the case of Massachusetts during the depression of 1914 when an attempt was made to drain one of the swamp areas of the State in order that employment might be given to jobless men. In this case the absence of engineering reports and the need for the formulation of plans made it impossible to do anything for a year and a half. Without advance planning of this type anywhere from six months to a year is taken up before any work can be done.

It was the consensus of opinion of those witnesses who testified on the question of public works that the passage of the "prosperity reserve" legislation now before this body would have a telling effect upon American business policy. The example set by the Federal Government would, in their opinion, have an effect upon business executives and would probably lead them also to apply the brakes to business activity during periods of overenthusiasm, thus preventing the overexpansion which usually accompanies boom periods. It would also lead them to accumulate reserves for dull times and enable them to manufacture for stock during periods of few orders, thereby keeping more labor employed. American business is already adopting the policy of accumulating financial reserves to meet dividend requirements during periods of depression. Governmental example may lead them to develop similar policies in regard to production and employment during recession periods.

#### (d) Unemployment insurance

Unemployment insurance is a new venture in American industry. Some 15 private industrial organizations to-day have their own insurance funds and make provision for paying their workers during periods of unemployment. It has been the policy of those private firms which have unemployment insurance systems to create their own insurance funds and bear the burden of the cost themselves. Contributions are not exacted from the labor forces. The amount paid to workers varies with the different organizations. One large manufacturer in New England employing some 3,000 people guarantees to each employee 80 per cent of his weekly earnings, if he is married, and 60 per cent of his earnings, if he is single, during such periods as he is unemployed for reasons over which he has no control. One of the railroad companies pays a weekly sum of \$15 to its discharged employees for a period of six weeks.

It is generally felt that company insurance funds which are supported by the management alone are more advantageous than contributory funds because of the fact that when the cost is borne by the employer he is driven to the regularization of employment and is forced to do everything in his power to prevent the discharge of workers. By making the cost of insurance a charge upon production it is to the advantage of the employer to keep his force employed as steadily as possible and thereby keep his overhead charges at a minimum.

In the Chicago men's clothing market a system of unemployment insurance has been in effect for the past six years. This system is the outgrowth of an agreement between some 400 employers and the Amalgamated Clothing Workers of America whereby both the employers and employees contribute jointly to an unemployment insurance fund from which relief is given to workers when involuntarily out of work.

"At the outset the plan called for contributions by employers and workers of 1½ per cent of the total wages. In 1928 the contribution of the employers was increased to 3 per cent, making a total contribution of 4½ per cent. Benefits were limited by the first agreement to 40 per cent of the wages for a period not to exceed five weeks per year. Under the present agreement the number of weeks per year is increased to seven and one-half with provisions for the cumulation of unpaid benefits from year to year. From time to time the rules governing the payment of benefits have been changed to safeguard the funds. At present the weekly benefit is 30 per cent of the wages. For the most part the plan operates on a house-fund basis; that is, contributions in the case of any particular firm may be used only for the payment of benefits to workers employed by the firm. The funds are administered by trustees representing the employers, trustees representing the workers, and one neutral trustee as chairman." At the present time about 20,000 workers come under the insurance scheme. The unemployment insurance agreement was extended to the Rochester and New York clothing markets during the past year. Similar schemes also prevail in a few other industries where the trade-unions and employers have made agreements for insuring workers against unemployment.

It was the unqualified assertion of all of those who gave testimony on unemployment insurance that the realization of the fact that unemployment would not result in a loss of income has led to a heightened morale among the workers insured and has brought about lower production costs. Nothing in modern industry interferes with the efficiency of workers as much as does the fear

of being thrown out of work. The larger part of the restriction of output which prevails in industry is due entirely to the fear of working oneself out of a job. The experience of the men's clothing industry in Chicago has given undisputed proof of the fact that labor will do anything in its power to increase production once it is freed from the specter and suffering of unemployment.

Although bills proposing the compulsory insurance of workers against unemployment have in the past been submitted to the Legislatures of Massachusetts and Wisconsin, there is to-day no compulsory insurance of this type in the United States.

Great Britain was the first country to introduce a national system of compulsory unemployment insurance.<sup>1</sup> The national insurance act, 1911 (Pt. II) made provision for insurance against unemployment in seven selected trades—building, construction, shipbuilding, mechanical engineering, iron founding, construction of vehicles, and sawmilling—covering over 2,000,000 workpeople. The scheme was extended by the munition workers' act of 1916 to include additional groups of workers who were expected to suffer from unemployment after the war, bringing the total of insured up to 4,000,000. The act of 1920, the principal act dealing with this project, brought into insurance all persons of the age of 16 and upwards employed under a contract service. Over 11,500,000 workers are now insured under this scheme. Since provision is made for dependents, it may be estimated that some 30,000,000 are directly affected by its provisions.

The British law requires that all persons between the ages of 16 and 65 who are employed under contract of service in Great Britain, including apprentices in receipt of a money payment, must be insured against unemployment. The chief classes who are excepted are persons engaged in agriculture, domestic servants in private employment, those for whom the Minister of Labor thinks insurance unnecessary because of the regularity of their employment, such as government and public corporation employees, and all persons who are not manual workers and who are receiving remuneration at a rate exceeding £250 a year.

The State contributes annually, from money granted by Parliament, an amount equal to rather less than one-third of the total contributions of employers and workmen. The contributions from the employers, the workmen, and the State together form the unemployment fund from which benefits are paid. This fund is controlled and managed by the Ministry of Labor.

Contributions are levied at a uniform rate for all workmen between the ages of 21 and 65. There is an obvious objection to the payment of equal contributions by people subject to different risks. The amount of unemployment varies with the occupation, the age, and probably with the wage of workmen. It was actually intended on the introduction of the scheme to meet this variation through differences in the rate of benefits, but the lack of adequate statistical data made this difficult. Women, young men, and young women over 18, and boys and girls under 18 pay a different rate of contribution from men and get different rates of benefit.

The condition that the unemployed workman must make application for benefit in the prescribed manner is the very core of the scheme. He is required to register at the employment exchange the fact of his unemployment. The exchange knows or is able to ascertain whether his unemployment is due to lack of work in the establishment in which he has been engaged. It is able to find him work in his own occupation in other establishments in the district, if vacancies exist. It might even help him to obtain employment in some other part of the country. The employment exchange thus controls the payment of benefit. It administers the test which qualifies for benefit. The unemployed workman, when he presents himself at the exchange, may thus be offered either new employment or unemployment benefit.

The most frequent charge made against the scheme is that the benefit has degenerated into a "dole." This is the opprobrious designation hurled against the scheme by those who are opposed to its working, to its very existence, or to some feature in it.

Constant reiteration of this term of abuse has affixed to the British unemployment insurance scheme a stigma which the repeated protest of the responsible minister, of the leaders of all political parties, and of the serious press, has not been able entirely to remove.

<sup>1</sup> Material in this section is taken from a memorandum prepared for the Institute of Economics of the Brookings Institution, Washington, D. C., by Dr. Joseph Cohen, Cambridge University, England.

Four distinct grounds have given rise to the use of this term:

(1) An out-of-work donation scheme was applied in 1919 and 1920 to ex-service men as well as to civilians for 12 months to meet the special emergency of having to transfer from war to peace conditions.

(2) A considerable number of insured members supplement their benefits from outdoor poor law relief, thus indicating unemployment insurance has not proved adequate by itself.

(3) Owing to the continued crisis uncovenanted benefits, later known as extended benefits, were given under special conditions, at the direction of the Minister of Labor.

(4) Even where there was no request for extended benefits, the constant changes in the unemployment-insurance scheme—in the amounts of benefit, and the contributions and the general conditions—gave critics the opportunity of asserting that its insurance nature had entirely disappeared.

Is there justification on these grounds in applying the term "dole" to the unemployment benefit, and if so, to what extent?

(1) The term was in recent years first applied to the out-of-work donation given by the Government out of the treasury to ex-service men (including seamen) and civilians, who were unemployed within the 12 months following their personal demobilization. Some £40,000,000 were distributed to ex-service men and £22,000,000 to civilians.

*Amount paid in ex-service and civilian out-of-work donation*

*Financial year:*

1918-19	£13,255,233
1919-20	36,704,301
1920-21	11,923,204
1921-22	544,030
1922-23	12,499

There is, however, an essential difference between the out-of-work donation scheme and the unemployment-insurance scheme. It arises from the fact that donations were paid to certain bodies of unemployed as a free gift, entirely from state funds, while benefits under the unemployment insurance acts are on contributory basis and payments are made out of a fund to which working people and their employers themselves contribute about three-fourths. The former were granted as a postwar governmental bonus for services during the duration of the war, the latter are granted to certain bodies of insured people engaged in normal occupations who satisfy certain conditions.

(2) The law of England since 1601 has been that people in distress may go to the guardians of the poor in their district and obtain adequate relief. The acceptance by an insured person of unemployment benefits does not deprive him of the right of concurrent aid from the poor-law authorities if he is in distress. Such distress might arise when his claim to unemployment benefits is exhausted, since he is entitled to draw such benefits only for a limited period. It might occur also even while he is drawing unemployment benefits, if he has a very large family to support or an expensive illness in the house, since the amount of benefit he draws is, in amount, comparatively small.

Even under the comparatively generous American compensation laws public or private relief in cases of industrial accident has not entirely disappeared because the benefits granted frequently prove insufficient. This is rather an argument for the increase of insurance benefits. In Great Britain as well as in Germany unemployment benefits were meant to be kept so low as not to tempt the lowest-paid workman to malingering. Low benefits were justified also on the ground that they were to be supplemented by private savings. Clearly, after the extended period of depression many of those most affected must long ago have exhausted any savings they may have had or any credit they could raise.

(3) and (4) The next two criticisms of the "dole," those referring to the uncovenanted benefit and to the constant changes, can be best dealt with together.

Throughout the exceptionally long period of severe unemployment, there has been a constant expectation that an abatement was near at hand, and consequently it was not felt that there was need for any radical change in the accepted view of the problem and the treatment based on it. To meet the special circumstances, therefore, short-period schemes were introduced, and frequent modifications were made in contributions and benefits. The authori-

ties oscillated between the view that the unemployment-insurance scheme was in itself enough and the view that it needed to be supplemented by poor-law relief. Uncovenanted or extended benefits were introduced which had some of the characteristics of both insurance and relief. While they were still paid from the unemployment fund to which the workers had contributed, benefits were granted for longer periods than had been laid down in the scheme, and with special conditions determined by the Minister of Labor. The erroneous assumption that unemployment would not last made these constant tamperings with the scheme inevitable. But it should be noted that the contributions in spite of frequent modifications retained their old proportions fairly closely and that the Government at no time bore the whole or even half of the costs of the scheme. Changes in the rates of benefits, moreover, may be made unexpectedly even by private insurance companies.

As to the argument that unemployment insurance in Great Britain has created a standing army of unemployed, it should be stated that careful investigation has revealed the fact that the unemployed, as a rule, are out of work for a few weeks and are then absorbed into industry.

It has been established as the result of special inquiries that some 90 per cent of the unemployed consist of persons who normally would either have steady employment, or would obtain a fair amount of employment. A nucleus of individuals consisting of about 7 per cent of the total unemployed constitute the "hard core" of unemployment. These are mainly individuals over 45 years of age in whose case unemployment has been comparatively serious. The remainder must not be regarded as chronic cases. The personnel is constantly changing, and the majority are at work for probably not less than 75 per cent of 80 per cent of the time. Indeed, leaving out the small group, the unlucky 7 per cent, the remaining 93 per cent have suffered not much more unemployment than is normal in the United States. Only one-fifth of the possible working time of this 93 per cent of the British industrial population has gone to waste since 1921, an amount which is not much larger than is usually wasted in American industry.

Nor does there seem to be any truth in the suggestion that administrative checks on applicants for benefit have not been enforced. They have been obliged to call at the employment exchange at regular periods to register their unemployment. Their cases have been inquired into not merely by the employment officer but by advisory and special committees. Indeed, there has frequently been more cause to complain of undue harshness in forcing workmen to present themselves regularly at the employment exchange to report.

The Minister of Labor in his report for 1927 states that:

"Wherever there is a suspicion of fraudulent misrepresentation to obtain benefit, and on the evidence a conviction seemed probable, the general policy of the department to institute proceedings has not changed.

"During 1927, 1,639 persons were prosecuted for this class of offense, which constitutes a decrease of 111 in comparison with 1926, and 395 in comparison with 1925."

From the following table the result of the prosecutions for 1927 may be compared with the corresponding figures for 1925 and 1926.

	Fined	Imprisoned	Bound over or admonished	Summonses dismissed	Total
1925	1,273	496	146	119	2,034
1926	1,144	341	166	99	1,750
1927	1,164	223	145	107	1,639

It will be seen that these figures are small in comparison with the number of claims to benefit which approach millions. It will be apparent that the number of cases brought before the courts was appreciably lessened, and that there was a more than proportionate decrease in the number of cases the magistrates consider grievous enough to deserve imprisonment. (Ministry of Labor Report, 1927, pp. 45, 46.)

Although it was the opinion of those who appeared before your committee that we have not yet reached the stage in the United States where compulsory unemployment insurance is practicable it is highly desirable that some action

be taken which will lead to the inauguration of an unemployment insurance system. Some provision must be made for the workers who are daily being thrown out of employment by changes in industrial organization and industrial technique. During the period of search for new jobs and during the period of retraining—particularly in cases where skilled laborers find themselves supplanted by machines—society owes it to the worker that he be in part provided for. Irrespective of the efficiency of any system of employment exchanges and irrespective of the efforts of private industry to regularize employment there will always be an appreciable number of persons who are out of jobs through no fault of their own. Such persons should be entitled through a contractual relation with an insurance fund to the receipt of unemployment benefits. If constitutional difficulties make a Federal system of unemployment insurance impracticable, some system of Federal and State cooperation should be developed wherein the Federal Government will subsidize and oversee such State compulsory insurance systems as are created.

One large insurance company stated, in a memorandum submitted to your committee, that in its opinion unemployment insurance is an actuarial risk which can be computed and that it is possible for the modern insurance company to undertake the writing of group-unemployment insurance. Indeed, this company states that it is ready to undertake the writing of such policies on a plan similar to the group-life insurance it is now writing for industrial concerns and that it will go into the unemployment-insurance business as soon as it can secure permission from the State in which it is incorporated to do so under its charter.

It was made evident however from the information secured from witnesses who appeared before your committee that temporary unemployment-insurance benefits will not in themselves meet the needs of those workers who are out of work. Virtually all of the employers of labor who testified frankly stated that it is against their policy to take on new employees who are over 45 years of age. Some of these witnesses, to be sure, have pension plans for their superannuated workers, but many of them do not.

Special provision must be made for the men over 45 who are unemployed. Many of them are still in the prime of life and are able to meet the requirements of industry. They are not old in the sense that they have outgrown their usefulness. Yet once they have been discharged they find it exceedingly difficult to secure new employment. It is the duty of American industry to keep these men on their pay rolls rather than to turn them adrift upon a labor market which refuses to absorb their services. One of the larger automobile manufacturers stated that he has special departments for employees who are unable to maintain the pace set by younger men. Other manufacturers should adopt a similar policy.

The older workers who have given the better part of their life to the service of a given industry are entitled to support by that industry once they have outgrown their usefulness. If industry does not meet this responsibility, it is the function of society, for whose benefit in the last analysis industry is organized, to make the necessary provision. All of the important civilized nations already have state-pension systems. The United States is alone in its failure to provide for the worker who is dispossessed because of old age.

Unemployment insurance, undertaken by private industry, should prove to be one of the greatest stimuli toward the elimination of unemployment which has thus far been devised. Not only does it furnish employees with purchasing power during periods of unemployment but it also leads to efficiency on the part of laborers and thus to the lowering of production costs. One witness who has provided unemployment insurance for his 3,000 workers insists that if any of his labor policies had to be altered, unemployment insurance would be the last to be touched. The essential feature of unemployment insurance is that like accident insurance it has within it the germ for the elimination of the very thing it undertakes to insure against. American experience with accident insurance has made patent the fact that both the employers who bear the cost of the premiums and the insurance companies which carry the risks are both driven to cut down as far as possible the chance of accident. This type of insurance has perhaps more than any one thing brought about a radical decline in industrial accidents. The experience of those organizations in the United States which have experimented with unemployment insurance is evidence of the fact that this type of insurance will lead to the same results in the field of unemployment.

## SUMMARY AND CONCLUSIONS

If we are effectively to cope with the problem of unemployment, the forces of both the Government and private industry must be mobilized.

As far as the Federal Government is concerned, three distinct measures should be adopted by its executive and legislative branches:

1. Its statistical resources should be mobilized so that current information will be available at all times showing the status of production and trade and the extent of employment and unemployment. Such information is essential if American industry is to be able to formulate production schedules. Without it, the distributive branches of industry—i. e., the wholesaler, the jobber, and the retailer—can not make rational future commitments.

2. To lessen the severity of business recessions the Federal Government should make provision for a prosperity reserve which will, wherever possible, postpone public construction from periods of great industrial activity to times of depression. Plans and specifications should be prepared in advance, so that contracts may be placed at the time when they can most effectively stimulate the demand for labor and the demand for industrial products.

3. A well coordinated system of employment exchanges supported in part by Federal funds and supervised by a Federal employment director is essential to the expeditious placement of unemployed workers. Such an organization should be created with the aid of the individual States together with Federal clearing houses strategically located to meet the needs of given geographical areas.

4. In order that the involuntarily unemployed may be provided for during the period of transition from one job to another a system of unemployment insurance should be organized. The exact status of the Federal Government in this connection is somewhat in doubt. It could, however, cooperate with the individual States in bringing such systems into being and through Federal aid stimulate their establishment.

Unless private industry avails itself of the means afforded by Government for the prevention of unemployment little will be accomplished. Industry must undertake to play its necessary part:

1. The business executive must learn to use the statistical data made available by the Government.

2. Business must voluntarily undertake to control activity when industry is approaching the stage of overexpansion. The exercise of such self-control is essential to the elimination of violent business fluctuations.

3. American business leaders must develop the will to regularize output and employment. They must be made to recognize the fact that they more than anybody else are responsible for the steady employment of their workers and that by budgeting output and by diligent search ways and means can be found for stabilizing employment.

4. American business must make provision for the support of its workers during periods when no work can be found for them. Private unemployment insurance funds have been found a practicable means for meeting this situation. The actual cost is insignificant when compared to other costs of production. Such insurance, indeed, may eventually be found to add nothing to the costs of running American business. The increased efficiency of labor, once it is freed from the fear of unemployment, has in many instances in this country proven sufficiently great to offset the burden of carrying insurance funds.

264

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Unemployment in the U.S.

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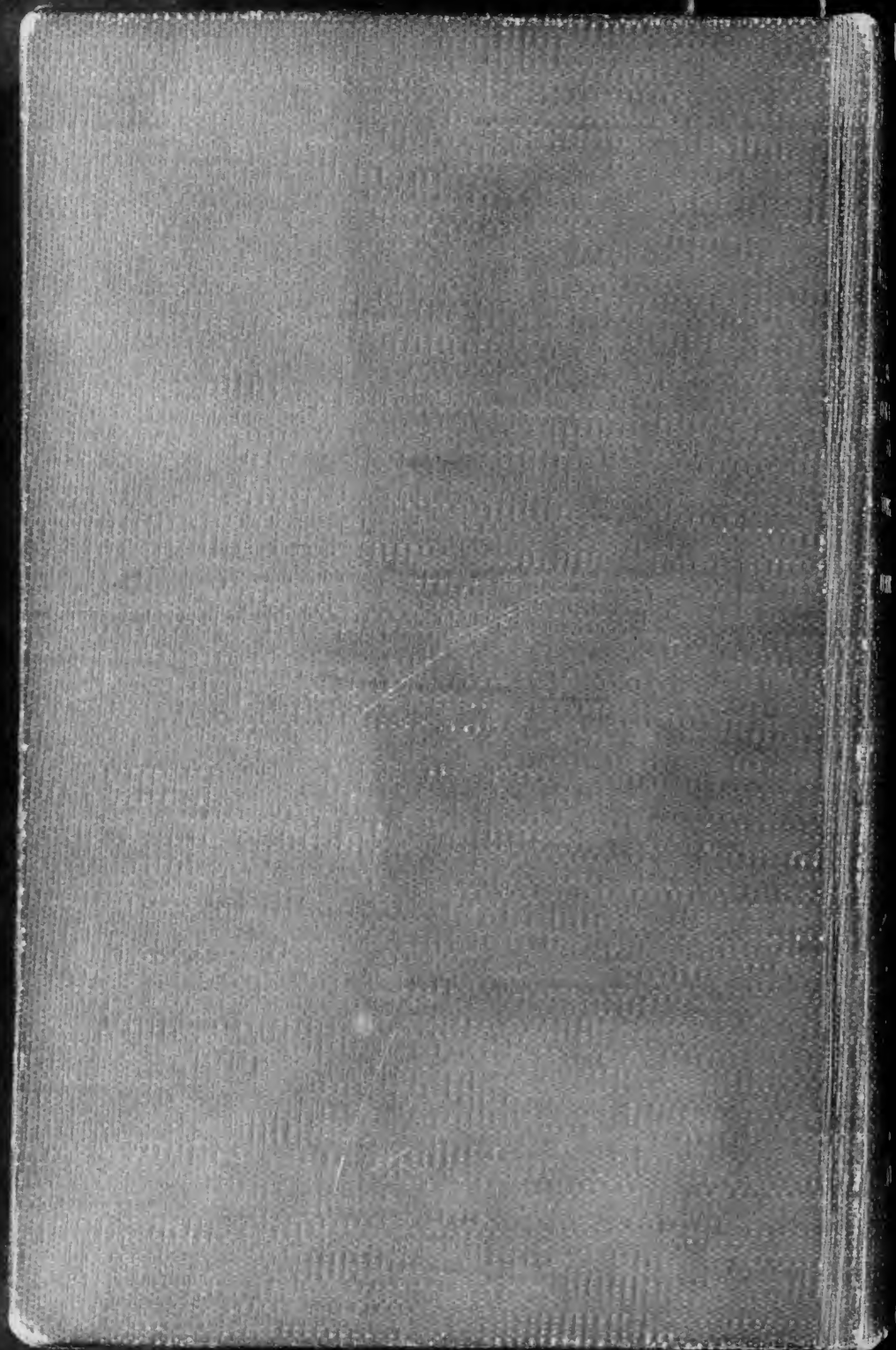
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